U.S. Railroad Retirement Board

Mission Statement

The Railroad Retirement Board's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The Railroad Retirement Board also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

In carrying out its mission, the Railroad Retirement Board will pay benefits to the right people, in the right amounts, in a timely manner, and safeguard our customers' trust funds. The Railroad Retirement Board will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

If you have any comments or suggestions regarding the presentation of information in this publication, please let us know. You can fax us at 312-751-7154, e-mail us at opa@rrb.gov or write us at the following address:
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Visit the Railroad Retirement Board's Web Site at
www.rrb.gov

THE REPORT IN BRIEF

Railroad retirement and unemployment insurance benefits totaling more than $8.5 billion were paid by the Railroad Retirement Board to approximately 737,000 beneficiaries in fiscal year 2001. Financial reports issued in 2002 on the solvency of the railroad retirement and railroad unemployment insurance systems were both favorable. After the close of the fiscal year, the Railroad Retirement and Survivors' Improvement Act of 2001 was enacted, resulting in extensive benefit and financing changes.

Benefits and Beneficiaries

Benefits paid under the Railroad Retirement and Railroad Unemployment Insurance Acts totaled more than $8.5 billion in the fiscal year ending September 30, 2001. Retirement and survivor benefits were paid by the Railroad Retirement Board to some 700,000 beneficiaries during the fiscal year, of whom 650,000 were on the Board's annuity rolls at the end of the year. Some 40,000 railroad employees were paid unemployment and/or sickness insurance benefits. About 4,000 beneficiaries received payments under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Retirement and survivor benefit payments of $8.4 billion during the 2001 fiscal year were $117 million more than payments in the prior year. Employee and spouse annuitants were paid almost $6.4 billion, accounting for 76 percent of the total payments. Employees received over $3.7 billion in age annuities, $1.5 billion in disability annuities and $69 million in supplemental annuities, while spouses and divorced spouses received over $1 billion. Survivors were paid $2 billion in annuities and $5 million in lump-sum benefits. The total number of beneficiaries who received retirement and survivor benefits declined by nearly 24,000 from fiscal year 2000.

Gross unemployment and sickness benefits paid in fiscal year 2001 totaled $127.5 million. Net benefits totaled some $94.8 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Total gross and net benefit payments increased by approximately $16.3 million and $16.1 million, respectively, from the preceding year. Gross unemployment benefits totaling $46.9 million ($43.2 million net) were paid to 18,100 claimants, while gross sickness benefits of $80.6 million ($51.6 million net) were paid to 23,800.

Financing

At the end of fiscal year 2001, the net position of all of the Railroad Retirement Board trust funds was about $19.8 billion, an increase of about $1.1 billion over the previous year. Investment earnings of almost $1.3 billion during the year, including capital gains of $198.8 million on the sale of investments, were a major portion of the increase in the net position of the trust funds.

Financial Reports

The Board's 2002 railroad retirement financial report to Congress, which addressed the 25-year period 2002-2026, contained generally favorable information concerning railroad retirement financing. It indicated that cash-flow problems arise only under a pessimistic employment assumption and then not until calendar year 2022. However, the 2002 report indicated that the long-term stability of the system, under its current financing structure, is still dependent on future railroad employment levels, and on investment returns.

The Board's 2002 railroad unemployment insurance financial report was also generally favorable. Even as projected maximum benefit rates increase 50 percent from $50 to $75 from 2001 to 2012, experience-based contribution rates maintain solvency, except for small, short-term cash-flow deficits in 2002 and 2003. The report also predicted average employer contribution rates well below the maximum throughout the projection period, except for a periodic resumption of the surcharge required to maintain a minimum account balance.

No increases in the tax rates provided under current law were recommended by the Board for the railroad retirement or unemployment insurance systems. The 2002 railroad retirement and railroad unemployment insurance financial reports are reprinted at the back of this *Annual Report.*

Legislation

The Railroad Retirement and Survivors' Improvement Act of 2001, signed into law December 21, 2001, was the most significant railroad retirement legislation in almost 20 years and the first in almost three decades not to involve tax increases or benefit reductions. The benefit and financing provisions of the legislation, like those of most previous railroad retirement legislation, were based on joint recommendations negotiated by a coalition of rail freight carriers and rail labor organizations.

The Act liberalized early retirement benefits for 30-year employees and their spouses, eliminated a cap on monthly retirement and disability benefits, lowered the minimum service requirement from 10 years to 5-9 years, if at least 5 years were after 1995, and provided increased benefits for some widow(er)s. Financing sections in the law provided for the investment of railroad retirement trust funds in nongovernmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax.

Other Developments

Service

The Board's performance in most areas of its Customer Service Plan remained the same or improved in fiscal year 2001 over fiscal year 2000. Even with declines in three areas, the agency still met or exceeded all but one of the customer service performance targets (disability decisions) it had set for the year. The Board continues to seek improvements in documentation collection to provide more timely handling of disability applications.

Enterprise Architecture

The agency completed development of its enterprise architecture in 2001 in compliance with the Clinger-Cohen Act, which requires Federal Chief Information Officers to develop, maintain and facilitate integrated systems architectures. Enterprise architecture is a blueprint of an organization's business processes and the information systems and technology needed to efficiently perform those processes.

Building Security

As a result of the terrorist attacks on September 11, 2001, the Board enhanced security at its headquarters building in Chicago. Improvements included installation of a metal detector and scanning equipment at the building's secondary entrance, as well as hiring additional security guards.

The preceding topics, as well as others, including public information activities, equal opportunity developments, and court cases, are covered in more detail in other sections of this report.

Selected Data on Benefit Operations

Retirement-Survivor	Fiscal Year 2001	Fiscal Year 2000
Employee age annuities		
Number awarded	6,300	7,200
Number being paid at end of period	219,600	228,400
Average being paid at end of period	$1,414	$1,351
Employee disability annuities		
Number of total disability annuities awarded	1,000	1,000
Number of occupational disability annuities awarded	3,700	3,700
Number of total disability annuities being paid at end of period	19,800	20,100
Number of occupational disability annuities being paid at end of period	60,700	60,000
Average total disability annuity being paid at end of period	$1,018	$965
Average occupational disability annuity being paid at end of period	$1,720	$1,632
Supplemental employee annuities		
Number awarded	4,300	4,700
Number being paid at end of period	132,800	138,200
Average being paid at end of period	[1]$42	$42
Spouse and divorced spouse annuities		
Number awarded, total	7,600	8,300
Number being paid to divorced spouses at end of period	3,600	3,600
Number being paid at end of period, total	154,700	161,300
Average being paid to divorced spouses at end of period	$343	$330
Average being paid at end of period, total	$550	$530
Survivor annuities		
Number awarded to aged widow(er)s	8,400	8,700
Number awarded, total	10,400	10,900
Number being paid to aged widow(er)s at end of period	167,800	175,500
Number being paid at end of period, total	203,000	211,300
Average being paid at end of period to		
Aged widow(er)s	$870	$826
Disabled widow(er)s	$746	$711
Widowed mothers (fathers)	$1,076	$1,029
Remarried widow(er)s	$603	$571
Divorced widow(er)s	$606	$579
Children	$706	$678
Lump-sum survivor benefits awarded		
Number of lump-sum death benefits	5,600	5,700
Average lump-sum death benefit	$898	$890
Number of residual payments	100	100
Average residual payment	$3,210	$3,769

Selected Data on Benefit Operations (Continued)

Employees and Earnings[2]	Fiscal Year 2001	Fiscal Year 2000
Average employment	240,000	248,000
Creditable earnings, Railroad Retirement Act (billions):		
Tier I	$13.37	$13.28
Tier II	$12.21	$12.09
Creditable compensation, Railroad Unemployment Insurance Act (billions)	$3.11	$3.08

Unemployment-Sickness	Benefit Year 2000-2001		Benefit Year 1999-2000
Qualified employees	277,400		278,200
Unemployment benefits			
Net amount paid (millions)	$43.0	[3]($43.2)	$35.6
Beneficiaries	16,700	[3](18,100)	13,700
Number of payments	96,100		83,300
Normal benefit accounts exhausted	2,200		2,100
Average payment per 2-week registration period	$415		$399
Sickness benefits			
Net amount paid (millions)	$49.5	[3]($51.6)	$40.5
Beneficiaries	23,000	[3](23,800)	22,000
Number of payments	163,200		151,300
Normal benefit accounts exhausted	4,500		4,100
Average payment per 2-week registration period	$426		$406

[1] Supplemental annuities awarded under the 1974 Act, which averaged $42, constituted 98 percent of all supplemental annuities being paid, up from 97 percent a year earlier.

[2] Except for fiscal year 2000 employment, all figures in this section are preliminary.

[3] Data in parentheses are for the fiscal year (October 1, 2000 - September 30, 2001).

Office of Inspector General

During fiscal year 2001, the Board's Office of Inspector General continued its efforts to assist management in increasing the efficiency of agency programs. Seventeen audits and management information reports issued during the year provided recommendations for improvement in agency operations. Investigative activities resulted in 51 criminal convictions, 53 civil judgments, 37 indictments/informations, and $2.75 million in restitutions, fines, recoveries, civil damages and penalties, and prevention of overpayments. The Office of Inspector General also continued to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. Ninety-nine civil judgments under this program will return approximately $644,000 to the Board's trust funds when the funds are collected.

In October 2001, the Office of Inspector General detailed special agents to New York City to assist the Federal Bureau of Investigation with the investigation of the terrorist attack on the World Trade Center.

A REVIEW OF OPERATIONS

During fiscal year 2001, benefits totaling $8.5 billion were paid under the Railroad Retirement and Railroad Unemployment Insurance Acts. Retirement and survivor benefits accounted for almost all of this amount. Net unemployment and sickness benefits totaled almost $95 million. The information provided in "A Review of Operations" covers fiscal year 2001 and therefore does not reflect changes brought about by the Railroad Retirement and Survivors' Improvement Act of 2001. The legislation, effective in 2002, is described in detail beginning on page 34.

RAILROAD RETIREMENT AND SURVIVOR PROGRAM

FINANCIAL OPERATIONS

During fiscal year 2001, railroad retirement and survivor benefit programs were financed through five accounts. Financing sources for the five accounts exceeded costs by almost $1.2 billion during fiscal year 2001 and the net position of the retirement trust funds increased by almost $1.2 billion to $19.8 billion during the year.

The Social Security Equivalent Benefit (SSEB) Account, established in fiscal year 1985, pays the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. The Railroad Retirement (RR) Account funds retirement, survivor and disability benefits, in excess of social security equivalent benefits, from payroll taxes on employers and employees and other income sources. Under the laws in effect during fiscal year 2001, the Railroad Retirement Supplemental (RRS) Account, funded by payroll taxes on employers, paid supplemental annuities to career rail employees. The Dual Benefits Payments (DBP) Account and Federal Payments (FP) Account, funded by congressional appropriations

(text continued on p. 9)

Financial information (other than when the term "paid" or "collected" is used) is presented on the accrual basis of accounting instead of the cash basis of accounting, except for the Federal income tax transfer explanation on pages 11-13. Benefit operations data presented on pages 15-25 for the railroad retirement and survivor program and pages 29-32 for the railroad unemployment and sickness insurance program are on a cash basis of accounting.

The primary difference between the two bases of accounting is that the accrual basis recognizes revenue when it is earned and expenditures when they are incurred. The cash basis, on the other hand, recognizes revenue and expenditures only when cash is received or paid.

Railroad Retirement and Survivor Program
Consolidated Financing Sources, Costs and Net Position (Millions)[1]

For the Fiscal Year Ended September 30	2001	2000 (Restated)
Financing Sources:		
Payroll Taxes	$4,693.9	$4,754.9
Financial Interchange	3,407.3	2,717.8
Interest on Investments	1,118.2	1,146.8
Net Gain on Sale of Securities	198.8	22.8
Federal Income Taxes	337.0	476.0
General Appropriations	146.1	154.4
Other	14.4	16.6
Total Financing Sources	9,915.7	9,289.3
Costs:		
Benefit Payments	8,418.8	8,302.9
Interest Expense	221.1	219.1
Salaries and Expenses[2]	97.2	97.3
Other	2.0	1.6
Total Costs	8,739.1	8,620.9
Financing Sources over Costs	1,176.6	668.4
Net Position - Beginning of Period	18,629.6	17,961.8
Non-operating Adjustments	(1.4)	(0.6)
Net Position - End of Period	$19,804.8	$18,629.6

[1]Prepared on an accrual basis of accounting.
[2]Includes unemployment and sickness insurance salaries and expenses of approximately $14.1 million and $14.9 million for fiscal years 2001 and 2000, respectively.

from general revenues, finance the phase-out costs of certain vested dual benefits and interest on unnegotiated checks, respectively. The five accounts together incurred $8.4 billion in benefit obligations, net of recoveries (excluding $1.2 billion in social security benefits which were reimbursed by the Social Security Administration) during fiscal year 2001.

Financing Sources

For fiscal year 2001 as compared to fiscal year 2000, total financing sources for the railroad retirement and survivor program increased by a net of $626.4 million (6.7 percent) to more than $9.9 billion.

Payroll Taxes

The primary source of income to the railroad retirement and survivor program is payroll taxes levied on covered employers and their employees. Payroll taxes amounted to almost $4.7 billion, 47.3 percent of total financing sources and $61 million less than in fiscal year 2000.

Railroad employees and employers pay tier I taxes which, by law, are the same as social security taxes. The rate of 7.65 percent is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of earnings subject to the 6.20 percent rate in calendar year 2001 was $80,400, and all earnings were subject to the 1.45 percent Medicare tax. In calendar year 2000, the maximum amount subject to the 6.20 percent tax was $76,200, with all earnings subject to the 1.45 percent Medicare tax. Both employees and employers also pay a tier II tax to finance railroad retirement benefit payments over and above social security levels. This tax, on earnings up to $59,700 in 2001 and $56,700 in 2000, was 4.9 percent on employees and 16.1 percent on employers.

Tier I and tier II taxes for fiscal year 2001 amounted to more than $2 billion and almost $2.6 billion, respectively. Total payroll taxes also included $67.9 million in supplemental annuity taxes. Under laws in effect during fiscal year 2001, the supplemental annuity program for career rail employees was financed on a pay-as-you-go basis by a cents-per-hour tax levied solely on railroad employers and employee representatives.

Financial Interchange Transfers

The second major source of income to the railroad retirement and survivor program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the Social Security Old-Age, Survivors and Disability Insurance (OASDI) and Hospital Insurance (HI) Trust Funds in the same position in which they would have been had railroad employment been covered by the Social Security and Federal Insurance Contributions Acts. This involves computing the amount of social security taxes that would have been collected on railroad employment, and computing the amount of additional benefits

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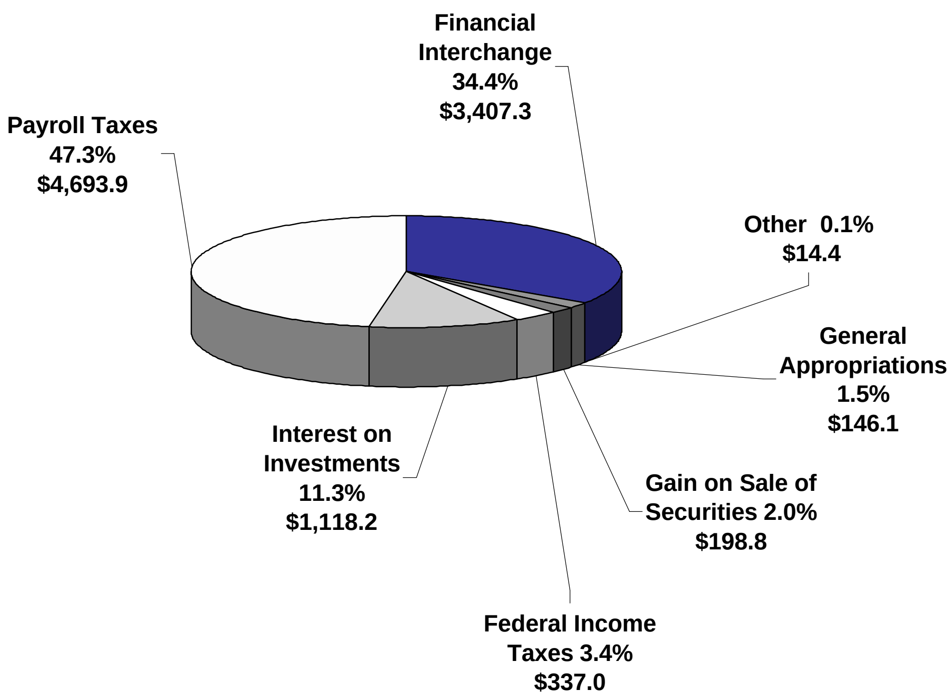
RETIREMENT AND SURVIVOR PROGRAM

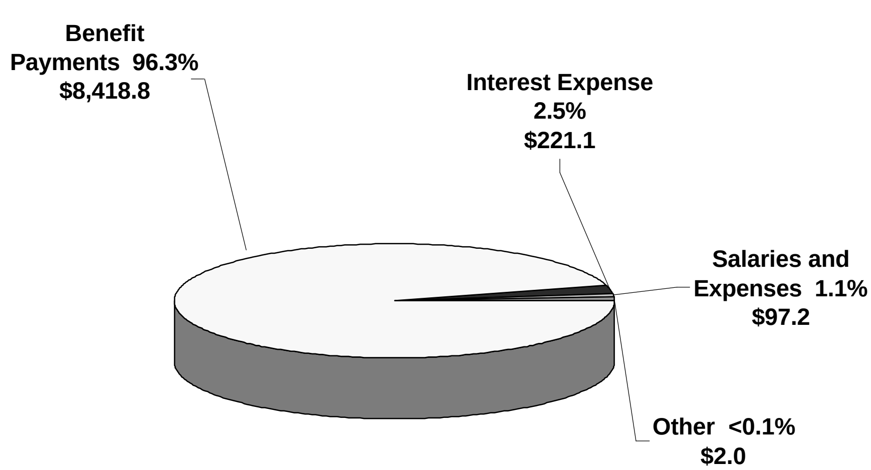
Financing Sources - Fiscal Year 2001 (In Millions)

TOTAL: $9,915.7



Costs - Fiscal Year 2001 (In Millions)

TOTAL: $8,739.1



which social security would have paid to railroad retirement beneficiaries during the same fiscal year.

In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security Trust Funds to the SSEB Account. If taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the Social Security Trust Funds. The net financial interchange transfer to the SSEB Account during fiscal year 2001 amounted to $3.4 billion.

Interest and Gain on the Sale of Investments

Under laws in effect during fiscal year 2001, railroad retirement funds not needed for immediate payment of benefits were invested in special issues of the U.S. Treasury. Investments included three types of special issues: market-based specials, par value specials and market-based zero-coupon bonds. A market-based special may be any marketable Treasury bill, note or bond, except that notes and bonds within 6 months of maturity are not currently available to the Railroad Retirement Board. The price is the same as the market price, but purchases and sales are made directly with the U.S. Treasury so as not to affect the securities market. Par value specials are securities issued by the U.S. Treasury maturing on the first business day of the month following the month of issue. Their yield rate each month is the average yield rate, computed as of the last day of the previous month, of marketable Treasury notes with maturity dates not less than 3 years away. Market-based zero-coupon bonds are nonmarketable securities that will mature at least 10 years from the date of issue on a date that is the same as the maturity date of a marketable Treasury STRIPS security (the principal and interest component of Treasury bonds that have been stripped through the Treasury Separate Trading of Registered Interest and Principal of Securities Program).

In fiscal year 2001, the average yield on all holdings of the retirement trust funds was 5.74 percent, and interest on investments was $1.1 billion. In addition to this amount, almost $198.8 million of capital gains was realized in 2001 from the sale of securities prior to maturity.

Federal Income Tax Transfers

Legislation enacted in 1983 subjecting social security and railroad retirement benefits to Federal income taxes also provided for a transfer of the tax revenues to the social security and railroad retirement systems for the payment of benefits. Revenue from income taxes on social security equivalent railroad retirement benefits is transferred to the SSEB Account.* Revenue derived from taxing regular railroad retirement benefits

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* Legislation enacted in 1993 subjected a larger amount of social security benefits and social security equivalent railroad retirement benefits to Federal income tax for taxpayers in higher income brackets. This provision was effective beginning with taxable year 1994, and the additional revenue raised is transferred to the Federal Hospital Insurance Trust Fund.

Federal Income Tax Transfers by Recipient Account and Benefit Component, Taxable Years 1992-2001 (Millions)

Taxable year	Revenue from taxes on: RRA benefits treated as SSA benefits — SSEB tier I benefits — SSEB Account[2]	Revenue from taxes on: RRA benefits treated as private or public pensions — Tier II & non-SSEB tier I[1] — RR Account	Revenue from taxes on: RRA benefits treated as private or public pensions — Vested dual benefits — DBP Account[3]
Transfers during the year			
1992	$48	[4] $198	$22
1993	56	[4] 192	20
1994	52	[4] 197	19
1995	50	191	16
1996	57	192	14
1997	61	195	12
1998	74	196	12
1999	79	227	11
2000	102	245	12
2001	94	229	10
Reconciliation adjustments [5]			
1992 (1994,1999[6])	-2	+6	-4
1993 (1995,1999[6])	-9	+8	-3
1994 (1997,1999[6])	-4	+11	-3
1995 (1999)	+9	+27	. . .
1996 (1999)	+18	+34	+1
1997 (2000, 2001[7])	+25	+43	+3

1 Includes non-SSEB portion of tier I.
2 Receives taxes on social security equivalent benefit (SSEB) portion of tier I.
3 Receives taxes on vested dual benefit component beginning October 1, 1988.
4 Includes amounts transferred in August 1994 under the Social Security Independence and Program Improvements Act: $49 million for October-December 1992; $192 million for 1993; and $148 million for January-September 1994.
5 The year in parentheses is the year the adjustments were made.
6 Reconciliation of RR Account benefits made in July 1999.
7 Reconciliation of benefits made in October 2001.

in excess of social security equivalent benefits is transferred to the RR Account. Revenue from taxing the vested dual benefits funded by the general revenue appropriations previously described is transferred to the DBP Account.

At the beginning of each quarter, income tax transfers are made from Treasury general funds to the SSEB, RR and DBP Accounts. These transfers are estimates of expected tax revenues for the quarter. Adjustments are made later to reconcile the estimates for a taxable year with actual tax revenues for the year. On a cash basis, original tax transfers for fiscal year 2001 amounted to $337 million during the year. Original transfers for fiscal year 2000 totaled $348 million. There were no reconciliation adjustments in fiscal year 2001. Net transfers in fiscal year 2000 were $476 million, including $128 million in reconciliation adjustments.

The table on the previous page shows income tax transfers to the Accounts for taxable years 1992 through 2001, including reconciliation adjustments through 1997.

General Appropriations

General revenue appropriations were provided by the Railroad Retirement Act of 1974 to fund the phase-out costs of certain dual railroad retirement/social security benefits considered vested prior to 1975 and by the Railroad Retirement Solvency Act of 1983 to fund interest on unnegotiated checks. The total amounts appropriated by the Congress for vested dual benefits were $160 million for fiscal year 2001 and $173.3 million for fiscal year 2000. These amounts include $10 million and $17 million in Federal income tax transfers for 2001 and 2000, respectively, and unexpended appropriations of $4 million for fiscal year 2001 and $1.8 million for fiscal year 2000. The amount appropriated for fiscal year 2001 was 7.7 percent less than fiscal year 2000, reflecting the continuing decrease in eligibility for these benefits, which are not increased for the cost of living. The total amounts appropriated by the Congress for interest on unnegotiated checks were $150,000 for fiscal years 2001/2002 and also $150,000 for fiscal years 2000/2001.

Other Financing Sources

Other financing sources consisted of $0.2 million in interest, penalties and handling costs charged on program accounts receivables as well as collection agency fees, $7.4 million to be provided by the Office of Personnel Management to pay future retirement benefits to Railroad Retirement Board employees, and $14.6 million from the railroad unemployment trust funds in transfers-in for current budget fiscal year salaries and expenses. These financing sources were offset by $3.3 million in interest on carriers' refunds and uncashed checks and transfers-out of $4.5 million for salaries and expenses of the Board's Office of Inspector General.

Costs

The Railroad Retirement Board pays all salaries and expenses under a single administrative fund (Limitation on Administration) for both the railroad retirement and survivor program and the unemployment and sickness insurance program. Consequently, of the $97.2 million and $97.3 million shown on page 8 for salaries and expenses in fiscal years 2001 and 2000, respectively, about $14.1 million for fiscal year 2001 and $14.9 million for fiscal year 2000 were for the unemployment and sickness insurance program. About $1.1 million and $1 million of the amount shown in other costs for fiscal years 2001 and 2000, respectively, were for the unemployment and sickness insurance program.

Excluding $15.2 million from total costs of $8,739.1 million for fiscal year 2001 and $15.9 million from total costs of $8,620.9 million for fiscal year 2000, total costs for the railroad retirement and survivor program for fiscal year 2001 increased $118.9 million or almost 1.4 percent.

Benefit Payments

During fiscal year 2001, railroad retirement benefit payments increased $115.9 million or almost 1.4 percent to about $8.4 billion, including $156 million in vested dual benefits and $68.7 million in supplemental annuities.

Interest Expense

Interest expense of $221.1 million represents interest on the financial interchange advances made by the U.S. Treasury during the fiscal year.

Salaries and Expenses

Excluding unemployment and sickness insurance salaries and expenses of $14.1 million for fiscal year 2001 and $14.9 million for fiscal year 2000, salaries and expenses for the railroad retirement and survivor program were about $83.1 million for fiscal year 2001 and about $82.4 million for fiscal year 2000, a $0.7 million or 0.8 percent increase. Adjusted by the $14.1 million in salaries and expenses and $1.1 million in other costs for the unemployment and sickness insurance program, fiscal year 2001 administrative expenses for the railroad retirement and survivor program were about 1 percent of total costs.

Other Costs

Other costs consisted primarily of post-retirement benefits for Railroad Retirement Board employees of $6.3 million for the railroad retirement and survivor program and $1.1 million for the unemployment and sickness insurance program. They were offset by a $4.7 million reimbursement from the Centers for Medicare & Medicaid Services for Part B Medicare costs, a reimbursement of approximately $0.4 million from the Board's Office of Inspector General for Board-incurred expenses, and other earned revenues of $0.3 million.

Non-operating Adjustments

Non-operating adjustments of -$1.4 million represent a decrease in the balance of unexpended appropriations.

BENEFIT OPERATIONS

Retirement and survivor benefits paid, including vested dual benefits and supplemental employee annuities, totaled $8.4 billion in fiscal year 2001, $117 million more than in fiscal year 2000. Benefits were paid to about 700,500 beneficiaries in fiscal year 2001. Approximately 650,100 beneficiaries were being paid at the end of the year. The table below presents retirement and survivor benefit payments for fiscal years 2001 and 2000, by type of benefit, and the percent changes in payments between the 2 years.

Type of benefit	Amount (in millions) Fiscal year 2001	Fiscal year 2000	Percent change
Retirement benefits			
Employee annuities			
Age	$3,735.2	$3,713.8	+0.6
Disability	1,510.1	1,423.9	+6.1
Supplemental	68.8	72.9	-5.7
Spouse and divorced spouse annuities	1,038.6	1,043.4	-0.5
Total	6,352.6	6,254.1	+1.6
Survivor benefits			
Annuities	2,053.4	2,034.9	+0.9
Lump-sum benefits	5.4	5.5	-1.9
Total	2,058.8	2,040.3	+0.9
Grand total	$8,411.4	$8,294.5	+1.4

Note.-- Detail may not add to total due to rounding.

Under the two-tier railroad retirement formulas, the tier I annuity portion approximates a social security benefit and increases by the cost-of-living percentage applied to social security benefits. The tier II portion, which is comparable to retirement benefits paid over and above social security benefits to workers in other industries, increases by 32.5 percent of the social security percentage. Effective December 1999, tier I portions increased by 2.4 percent while tier II portions increased by 0.8 percent. Increases of 3.5 percent for tier I and 1.1 percent for tier II were effective December 2000.

Because of a Department of Labor error in calculating the rise in the Consumer Price Index, the cost-of-living adjustment payable in January 2000 for railroad retirement tier I and social security benefits was 2.4 percent, rather than the 2.5 percent due. Approximately 92 percent of retired employees on the Board's rolls along with 38 percent of spouse beneficiaries and 79 percent of survivor beneficiaries were affected. The Railroad Retirement Board issued retroactive payments in July 2001. Monthly benefits at the corrected rate began on August 1, 2001. Tier II benefits were not affected.

The December 1999 and December 2000 cost-of-living increases provided additional benefit payments of about $210 million in fiscal year 2001, compared to payments in fiscal year 2000.

Monthly retirement and survivor benefits being paid numbered more than 790,700 at the end of the 2001 fiscal year, some 28,600 less than at the end of the prior year. Monthly beneficiaries on the rolls declined by almost 23,000 over the year, from 673,000 to 650,100. The number of monthly benefits paid is always greater than the number of beneficiaries on the rolls, since many annuitants receive more than one type of benefit. Although the second benefit is usually a supplemental employee annuity, some employees also receive a spouse or widow(er)'s annuity.

Regular employee annuities in payment status at the end of fiscal year 2001 numbered 300,200, about 8,400 less than at the end of the previous fiscal year. The number of age annuities being paid dropped from 228,400 to 219,600 over the year, while disability annuities rose 400 to about 80,600. Supplemental annuities being paid dropped nearly 5,400, numbering 132,800 at the end of the year. The number of divorced spouse annuities being paid remained about the same at 3,600. Spouse and divorced spouse annuities together declined by nearly 6,600, totaling 154,700 at year-end. Nearly 203,000 monthly survivor benefits were being paid at the end of fiscal year 2001, a decrease of 8,300 from the previous year.

Retirement

Regular employee annuities

Awards of regular employee annuities numbered 10,900 in fiscal year 2001, 1,000 less than in fiscal year 2000. Data by type of annuity awarded during the year are given in the table on this page.

Employee annuities awarded in fiscal year 2001	Number	Per-cent	Average: Monthly amount	Average: Years of service	Average: Age at retire-ment
Age					
Beginning at age 65 or over	1,100	11	$1,405	21.9	66.4
Unreduced, beginning at ages 62-64	2,500	23	2,450	36.4	62.3
Reduced, beginning at ages 60-64	2,600	24	1,446	23.7	61.6
Disability	4,600	42	1,971	24.9	53.1
Total	10,900	100	$1,897	27.0	58.7

Note.-- Detail may not add to total due to rounding.

Railroad employees with 10 to 29 years of creditable service are eligible for regular annuities based on age and service at age 62. (Effective January 1, 2002, employees can also qualify with 5-9 years of service if at least 5 years were after 1995.) Early retirement annuity reductions are applied to annuities awarded before full retirement age--the age at which an employee can receive full benefits with no reduction for early retirement. This ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security. If an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65. The reduction for early retirement is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month.

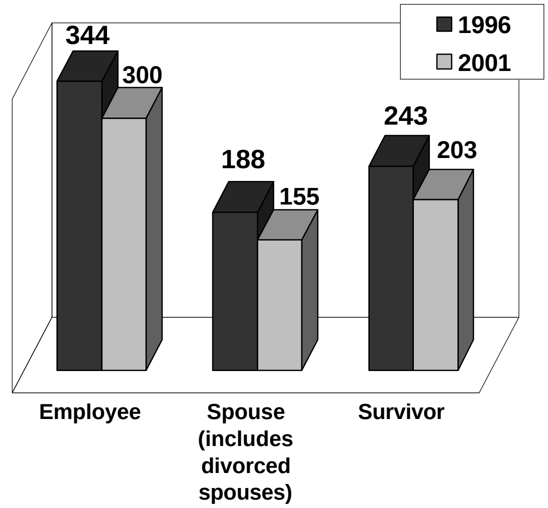
Rail employees with 30 or more years of service are eligible for regular annuities based on age and service at age 60. Certain early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before 2002*. Employees who retire at ages 60-64 with at least 30 years of railroad service are referred to as 60/30 retirees.

The 2,600 reduced age annuities awarded during fiscal year 2001 included 900 reduced 60/30 awards and 1,700 awards where the employee had less than 30 years of service. Average monthly annuity amounts for the two groups were $2,058 and $1,130, respectively, while railroad service averaged 35 years and 18 years.

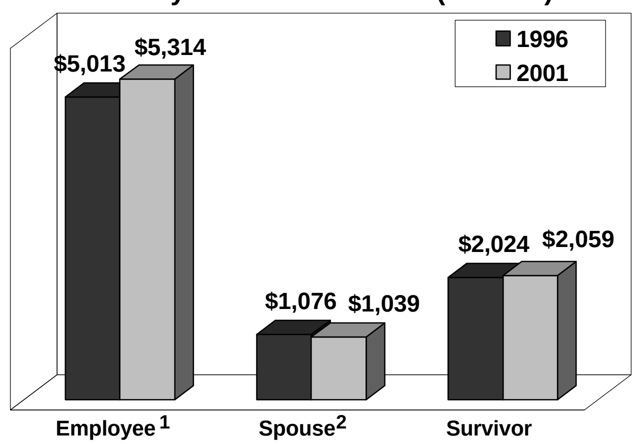
Disability awards are based either on total disability or on occupational disability. A *total disability* annuity is based on disability for all employment and, through 2001, was payable at any age to employees with at least 10 years of railroad service. (Beginning in 2002, employees with 5-9 years of service, if at least 5 years were after 1995, may qualify for tier I only before retirement age on the basis of total disability if they also meet certain social security earnings requirements.) An employee is considered totally disabled if medical evidence shows that a permanent physical or mental condition exists which prevents the performance of any regular work. A condition is considered to be permanent if it has lasted or may be expected to last for at least 12 months.

An *occupational disability* annuity is based on disability for the employee's regular railroad occupation and is payable to employees with a current connection with the rail industry at age

Number of monthly beneficiaries, September 30, 1996, and 2001 (Thousands)

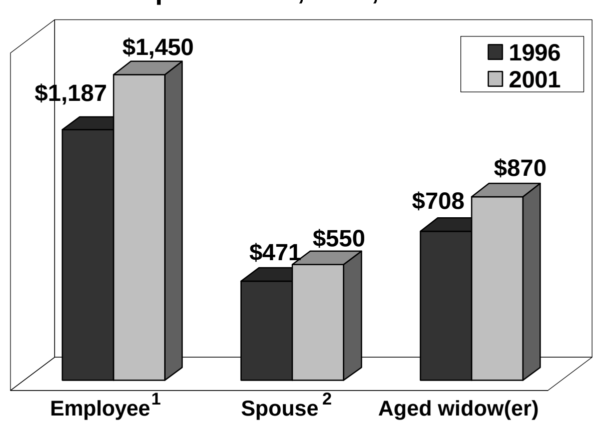


Amount of benefits paid, fiscal years 1996 and 2001 (Millions)



[1]Includes $86.2 million in fiscal year 1996 and $68.8 million in fiscal year 2001 for supplemental annuities. [2]Includes divorced spouses.

Average monthly amount, September 30, 1996, and 2001



[1]Without supplemental annuity. [2]Includes divorced spouses.

60 if the employee has 10 years of service, or at any age if the employee has at least 20 years of service. An employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.

Of the year's 4,600 disability awards, 1,000 averaging $1,269 per month were for total disability and 3,700 averaging $2,154 were for occupational disability. Many employees who are disabled for all employment but are otherwise qualified for an occupational disability annuity are initially awarded occupational disability annuities in order to expedite payment.

An estimated three-fifths of all employees awarded disability annuities will meet the medical criteria for a disability freeze determination. The standards for freeze determinations follow social security law and are comparable to the criteria for granting total disability. Also, an employee granted a disability freeze may qualify for early Medicare coverage and lower Federal income taxes on his or her annuity.

Employee annuities in current-payment status on September 30, 2001	Number	Percent	Average monthly amount	Percent immediate retirements
Age				
Beginning at age 65 or over	36,800	12	$1,092	48
Unreduced, beginning at ages 60-64	90,200	30	1,827	95
Reduced, beginning at ages 60-64	92,600	31	1,139	41
Disability	80,600	27	1,548	80
Total	300,200	100	$1,450	69

Note. --Detail may not add to total due to rounding.

Of the employees who were awarded regular annuities in fiscal year 2001, more than 7,600, or 70 percent, last worked for a railroad either in the calendar year their annuity began or in the preceding year. Such retirements are termed "immediate," while those that occur 2 or more calendar years after the year of last railroad employment are called "deferred." As a group, immediate retirees represent career railroad employees who worked in the industry until retirement. Awards based on immediate retirement averaged $2,201 per month, compared to $1,193 for the 3,300 awards based on deferred retirement. Immediate retirees averaged 30 years of railroad service, considerably more than the average of 19 years for deferred retirees. Of the year's awards, 48 percent of normal age retirements were immediate. While 86 percent of all 60/30 retirements were immediate, only 18 percent of the reduced age awards to employees with less than 30 years of service were immediate. Immediate retirements accounted for 82 percent of the year's disability awards.

The 300,200 retired employees on the rolls as of September 30, 2001, were being paid regular monthly annuities averaging $1,450. The table on the previous page gives data by type of annuity for these benefits.

Of the 80,600 disability annuities being paid, 19,800 were for total disability and 60,700 for occupational disability. The two types of disability annuities averaged $1,018 and $1,720, respectively. In fiscal year 2001, approximately $248 million was paid in total disability annuities and $1,262 million in occupational disability annuities.

Nearly 205,700 employees on the rolls at the end of fiscal year 2001 were immediate retirees and their regular annuities averaged $1,734 per month. Annuities of the 94,600 deferred retirees averaged $832. Although their average railroad retirement annuity was much lower, a greater proportion of the deferred annuitants also received social security benefits--40 percent compared to 7 percent for the immediate retirees. Moreover, the average social security benefit paid to deferred retirees was higher than that paid to immediate retirees. Combined railroad retirement and social security benefits to deferred retirees who were dual beneficiaries averaged $1,111, while combined benefits to immediate retirees averaged $1,466. The table on this page gives numbers of beneficiaries and average benefit amounts for employees on the rolls who were receiving social security benefits, and for those who were not, by type of retirement.

Dual benefit status	Total	Type of retirement: Immediate	Type of retirement: Deferred
Receiving social security benefit			
Number	53,100	14,900	38,200
Average monthly amount:			
Railroad retirement (regular)	$454	$943	$263
Social security	757	523	847
Combined benefit	1,210	1,466	1,111
Not receiving social security benefit			
Number	247,100	190,800	56,300
Average monthly amount	$1,664	$1,795	$1,217

Note. -- Detail may not add to total due to rounding.

Regular employee annuities consist of as many as three components: tier I, tier II, and a vested dual benefit. Reductions for early age retirement are made in all components in cases where the employee retired before full retirement age with less than 30 years of railroad service. During 2001, reductions were made only in the tier I component of 60/30 annuities awarded before age 62. (The Railroad Retirement and Survivors' Improvement Act of 2001 liberalized early retirement benefits for 30-year employees retiring at ages 60 or 61 *after 2001*.) The tier I component is based on the employee's combined railroad and social security covered earnings, and is reduced by the amount of any social security benefit that the employee receives. The gross tier I amounts of employees on the rolls at the end of fiscal year 2001 averaged $1,179 per month. Tier I amounts of nearly 9,100 employees were completely offset by social security benefits. Tier I amounts being paid averaged $1,026.

The employee tier II component is based solely on railroad earnings. Tier II amounts being paid at the end of fiscal year 2001 averaged $433. Employees are eligible for vested dual benefits if, based on their own earnings, they met certain vesting requirements and qualified for both railroad retirement and social security benefits at the end of 1974, or, in some cases, at the end of an earlier year of last railroad service. Nearly 70,200 retirees were receiving vested dual benefits averaging $155 at the end of the fiscal year.

Supplemental employee annuities

Some 4,300 supplemental annuities were awarded in fiscal year 2001, 400 less than in fiscal year 2000. Nearly 3,100 of the awards (71 percent) began concurrently with the employee's regular annuity, while the remaining 1,300 were to employees already receiving a regular annuity. Supplemental annuity awards averaged about $41 per month; 82 percent were at the current maximum rate of $43. Supplemental annuities are reduced for any part of a private railroad pension attributable to employer contributions. Prior to 2002, they could also be reduced for the railroad retirement maximum. (Legislation eliminated the maximum effective January 1, 2002.) During the fiscal year, 1,000 supplemental annuities were not awarded because they were entirely offset by private pensions or the railroad retirement maximum. Fewer than 15 of the year's awards were partially offset by pensions or the maximum, including four cases in which both the private pension and the supplemental annuity were reduced. For about 10 awards, the supplemental annuity was not offset because the pension was reduced.

Supplemental annuities were being paid to nearly 132,800, or 44 percent, of the retired employees on the rolls at the end of the 2001 fiscal year. These annuities averaged $42; some 3,300 of them were paid under 1937 Act amendments, which stipulated a maximum rate of $70.

Spouse and divorced spouse annuities

Annuity awards to spouses and divorced spouses of retired employees numbered 7,600 in fiscal year 2001, 700 less than in the previous year. The table on the next page presents numbers and average amounts of spouse and divorced spouse annuities awarded during the year and being paid at the end of the year, by type of annuity and whether subject to age reduction.

If an employee retires with 10-29 years of railroad service and the employee is at least age 62, the employee's spouse is eligible for an annuity at age 62. (Beginning in 2002, the minimum service requirement was lowered to 5-9 years, if at least 5 years were after 1995.) Full retirement age for a spouse is gradually rising from 65 to 67, depending on the year of birth. Early retirement reductions are applied to the spouse annuity if the spouse retires before full retirement age. The reduction for early retirement is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and 1/240 for each month (if any) over 36.

If an employee retires with at least 30 years of service and is at least age 60, the employee's spouse is eligible for an annuity at age 60. During 2001, certain early retirement reductions were applied to the tier I component of such a spouse annuity if the employee retired before age 62, unless the employee attained age 60 and completed 30 years of service prior to July 1, 1984. If a 30-year employee retired at age 62, no age reduction applied to the spouse annuity. (December 2001 legislation liberalized early retirement benefits for 30-year employees retiring at ages 60 or 61 *after 2001* and their spouses.)

Monthly spouse benefits	Awarded in fiscal year 2001		In current-payment status on September 30, 2001	
	Number	Average amount	Number	Average amount
Beginning at age 65 or over	1,400	$321	22,800	$313
With minor or disabled child in care	200	790	1,300	711
Unreduced, beginning at ages 60-64	2,200	970	61,600	751
Reduced rate	3,400	519	65,500	452
Total	7,200	628	151,200	555
Divorced spouse annuities	400	349	3,600	343
Grand total	7,600	$613	154,700	$550

Note.-- Detail may not add to total due to rounding.

A spouse of an employee qualified for an age and service annuity is eligible for a spouse annuity at any age if caring for the employee's unmarried child, and the child is under age 18 or the child became disabled before age 22.

Of the 3,400 reduced spouse annuities awarded in fiscal year 2001, 1,400 averaging $744 per month were to spouses of 30-year employees and 2,000 averaging $358 were to spouses of employees with less than 30 years of service.

At the end of fiscal year 2001, nearly 151,200 spouse annuities averaging $555 per month were being paid. Approximately 3,600 divorced spouse annuities averaging $343 per month were also being paid. Families with an employee and spouse on the rolls were paid combined railroad retirement benefits averaging $2,107. This included $1,552 in regular and supplemental employee annuities and $555 in spouse annuities.

About 61,300, or 40 percent, of the spouses and divorced spouses on the rolls were also receiving social security benefits. Combined railroad retirement and social security benefits to these annuitants averaged $839 per month, including $227 in railroad retirement benefits and $612 in social security benefits. Railroad retirement annuities to the 91,600 spouses not receiving social security benefits averaged $768, while railroad retirement annuities to the 1,800 divorced spouses not receiving social security benefits averaged $502.

Like regular employee annuities, spouse annuities consist of up to three components. The tier I component equals one-half of the employee's tier I amount before any reduction for the employee's social security benefit. The spouse tier I amount is reduced for the spouse's receipt of a social security benefit and may be reduced for a spouse's public service pension. The tier I portion may also be reduced if the spouse receives a railroad retirement employee annuity, but this reduction is usually restored through an addition to the spouse tier II amount. Divorced spouses receive only a tier I benefit.

The spouse tier II component equals 45 percent of the employee's tier II amount. Railroad retirement amendments in 1981 precluded further awards of vested dual benefits to spouses.

As mentioned earlier, prior to 2002 there was a ceiling on the total amount of monthly benefits, excluding vested dual benefits, payable to an employee and spouse at the time the employee's annuity began. The ceiling was normally geared to the employee's final creditable earnings, but was subject to a minimum of $1,200. Reductions required by the railroad retirement maximum were made, as necessary, only in the tier II amounts or supplemental employee annuity.

Of the 151,200 spouses on the rolls at the end of fiscal year 2001, 109,600 were being paid tier I amounts averaging $470 per month. The tier I amounts of 41,600 spouses were completely offset by other benefits also due. Spouse tier II amounts averaged $220. In some 11,800 cases, the tier II component was reduced an average of $78 for the railroad retirement maximum. Vested dual benefits averaging $122 were being paid to 7,300 spouses. The 3,600 divorced spouses on the rolls at the end of fiscal year 2001 were being paid tier I amounts averaging $348 per month.

Lump-sum retirement benefits

A lump-sum benefit may be payable at retirement to employees who received separation or severance payments after 1984. This benefit approximates the tier II payroll taxes deducted from separation or severance payments that did not yield additional service credits for retirement. More than $0.6 million was paid in separation/severance lump-sum benefits during fiscal year 2001.

Employees who have at least 10 years of railroad service and are not entitled to a vested dual benefit may be eligible for a dual retirement tax refund if they had concurrent railroad retirement and social security earnings within the period 1951-74. The refund is equal to the social security taxes that the employee paid on the combined railroad and social security earnings in excess of the annual railroad retirement creditable earnings maximum. During the 2001 fiscal year, the Board paid nearly 2,900 dual retirement tax refunds averaging $106. Most of the payments were to employees retiring during the year. Less than 50 refunds were to survivors, mostly widows, of employees who died before receiving the refund. Employees entitled to dual retirement tax refunds for years after 1974 may claim them on their Federal income tax returns.

Survivor

Monthly benefits

Annuity awards to survivors of deceased railroad employees numbered 10,400 during fiscal year 2001, 500 less than the previous year. Nearly 203,000 survivor annuities were being paid at the end of the fiscal year, including 400 temporarily paid at spouse or divorced spouse annuity rates pending recomputation to widow(er)s' rates. Some 167,800, or 83 percent, of the survivor annuities were to aged widows and widowers. The table on this page presents numbers and average monthly amounts of survivor annuities, by type, for those awarded in the year and those being paid at the end of the year. Some of the survivor option annuities, which were being paid under laws in effect before August 1946, were to widows also receiving aged widows' annuities.

Monthly survivor benefits	Awarded in fiscal year 2001		In current-payment status on September 30, 2001	
	Number	Average amount	Number	Average amount
Aged widow(er)s'	8,400	$1,044	167,800	$870
Disabled widow(er)s'	200	927	5,500	746
Widowed mothers' (fathers')	200	996	1,200	1,076
Remarried widow(er)s'	300	701	5,700	603
Divorced widow(er)s'	700	654	9,500	606
Children's:				
Under age 18	400	989	3,000	931
Student	*	984	200	944
Disabled	200	809	10,100	635
Parents'	*	806	100	625
Survivor option	. . .	. . .	*	62
Total	10,400	. . .	203,000	. . .

*Fewer than 50.
Note.-- Data may not add to total due to rounding.

Survivor annuities, like regular employee and spouse annuities, consist of as many as three components: tier I, tier II and, for widows and widowers only, a vested dual benefit. As with spouses, legislation in 1981 precluded new awards of vested dual benefits to widow(er)s.

The tier I component is computed according to social security formulas and is based on the deceased employee's combined railroad and social security earnings. A reduction is made for the survivor's receipt of a social security benefit. There may also be a tier I reduction if the survivor receives a railroad retirement employee annuity or public pension. Remarried and divorced widow(er)s receive a tier I benefit only. A dependent parent receives only a tier I amount if another family member is also receiving benefits or if the parent has remarried.

Survivor tier II amounts are figured as a percentage of an employee tier II benefit. In 2001, the percentages were 50 percent for a widow(er), 15 percent for a child, and 35 percent for a parent. The total tier II amount for a survivor family was subject to a minimum of 35 percent and a maximum of 80 percent of the employee tier II benefit, and all survivor tier II amounts were proportionately adjusted when either limit applied. (December 2001 legislation established an "initial minimum amount" for widow(er)s which provides a tier II benefit equal to 100 percent of the tier II amount of the deceased employee, effective February 2002. The maximum tier II amount payable to a family rose to 130 percent of the employee's tier II amount.) Widows and widowers are guaranteed a total tier I and tier II amount not less than what they were paid as a spouse, any necessary increase being added to tier II.

Aged widow(er)s, who are eligible for benefits at age 60, have their tier I and tier II amounts reduced if the annuity begins before full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67. The maximum age reductions will range from 17.1 percent to 20.36 percent, depending on the widow(er)'s date of birth. Excluding some 300 annuities temporarily paid at spouse or divorced spouse rates, aged widow(er)s' annuities being paid at the end of the 2001 fiscal year included 76,200 which were reduced for age. Aged widow(er)s' tier I amounts being paid averaged $773 per month. In about 12,400 cases, the tier I amount was wholly offset by reductions for other benefits. More than 68,100 aged widow(er)s were also receiving social security benefits, and these averaged $592. Tier II amounts averaged $152. About 8,500 vested dual benefits averaging $62 were being paid to aged widow(er)s.

The tier I and tier II amounts of disabled widow(er)s' annuities, which begin at ages 50-59, are reduced 28.5 percent for age. Tier I amounts being paid to disabled widow(er)s on the rolls at the end of fiscal year 2001 averaged $643 (in almost 300 cases, the tier I amount was wholly offset by reductions). Social security benefits being paid to about 1,600 disabled widow(er)s averaged $571. Tier II amounts averaged $131, while the 500 vested dual benefits being paid averaged $76.

Tier I amounts paid to widowed mothers and fathers (widows and widowers caring for children) generally equal 75 percent of the full amount payable to an aged widow(er) before any reductions, similar to a social security mother's or father's benefit. Eligible children and grandchildren are paid this same tier I amount. However, if the sum of the tier I amounts of all members of a survivor family exceeds the social security family maximum, then tier I amounts are proportionately reduced so that the total equals the maximum. Reductions for the family maximum usually occur when the family includes three or more beneficiaries. Tier I amounts being paid as of the end of fiscal year 2001 averaged $870 for widowed mothers and fathers and $642 for children. Fewer than 50 mothers (fathers) and some 2,500 children received social security benefits averaging $672 and $428, respectively. Tier II amounts paid mothers (fathers) and children averaged, respectively, $217 and $83. None of the widowed mothers received a vested dual benefit.

Lump-sum survivor benefits

A lump-sum death benefit can be payable at the time of an employee's death only if there are no survivors immediately eligible for monthly benefits. For survivors of employees who had at least 10 years of railroad service before 1975, the lump-sum death benefit is based on the employee's earnings through 1974, with a maximum amount of approximately $1,200. If the employee completed the 10th year of service after 1974, the lump-sum death benefit is limited to $255, the maximum benefit payable under social security law, and only the widow or widower living in the same household is eligible for the benefit. Some 5,600 lump-sum death benefits averaging $898 were awarded during fiscal year 2001. Over 600 benefits were to widow(er)s, while 5,000 were to other individuals who paid the funeral expenses. (Effective January 2002, lump-sum benefits may be payable to survivors of employees with less than 10 years of service but at least 5 years after 1995 if the employee met the social security insured status requirements.)

Another lump-sum survivor benefit, the residual payment, can be made if no other benefits based at least in part on an employee's railroad service will be payable in the future, and the total of prior benefit payments is less than what the employee paid in pre-1975 railroad retirement taxes. The 90 residual payments awarded in the 2001 fiscal year averaged $3,210. Widow(er)s and parents who elected to waive future monthly benefits in order to receive a residual benefit were awarded about 15 of the payments. The remaining awards were to widow(er)s of employees not insured for monthly benefits under the Railroad Retirement Act, other relatives, designated beneficiaries, or the employee's estate.

Medicare Enrollments

The Medicare program provides health insurance to persons ages 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months or who suffer from chronic kidney disease requiring hemodialysis or transplant. In addition to the basic hospital insurance, or Part A, plan, which is financed through payroll taxes, there is an elective supplementary medical insurance, or Part B, plan for which monthly premiums are charged.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the Railroad Retirement Board are automatically enrolled under both plans, but Part B may be declined. Eligible nonretired persons must apply in order to obtain Medicare coverage. The Board automatically enrolled some 22,600 beneficiaries for Medicare during fiscal year 2001. As of the end of the fiscal year, nearly 597,900 persons were enrolled in the Part A plan, and over 582,900 (97 percent) of them were also enrolled in Part B.

Except for benefits for services in Canada, which are paid from the Railroad Retirement Account, railroad enrollees are paid Part A benefits from the Federal Hospital Insurance Trust Fund, the same as persons covered under the social security system. Part B benefits are paid from the Federal Supplementary Medical Insurance (SMI) Trust Funds. The carrier for Part B claims of railroad Medicare enrollees made payments totaling $762 million in the 2001 fiscal year.

The regular monthly premium for medical insurance during fiscal year 2001 was $45.50 for coverage through December 2000 and $50 thereafter. The Board generally withholds Medicare premiums for annuitants from their benefit payments, and at the end of the fiscal year, approximately 548,600 annuitants were having their premiums withheld. Of the remaining Part B enrollees, some 7,700 were paying premiums to the Board, either directly or through an intermediary, and 26,600 had their premiums paid by State agencies. The Board periodically transfers premiums to the SMI Trust Funds.

RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

FINANCIAL OPERATIONS

Costs for the railroad unemployment and sickness insurance program during fiscal year 2001 exceeded financing sources by $53.7 million and the net position decreased by $53.7 million from $93.8 million at the end of fiscal year

(text continued on p. 28)

Unemployment and Sickness Insurance Program
Consolidated Financing Sources, Costs and Net Position (Millions)[1]

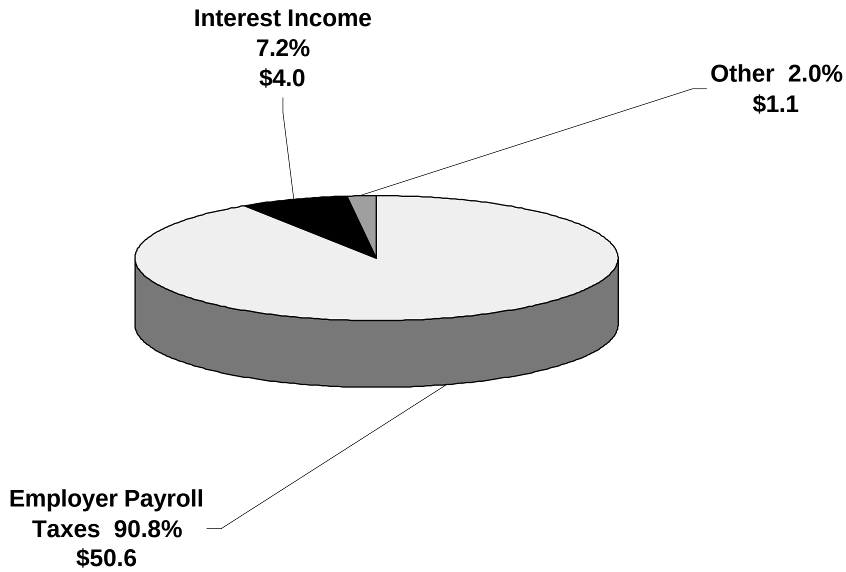
For the Fiscal Year Ended September 30	2001	2000
Financing Sources:		
Employer Payroll Taxes	$50.6	$67.2
Interest Income	4.0	7.6
Other	(13.9)	(14.1)
Total Financing Sources	40.7	60.7
Costs:		
Benefit Payments:		
Unemployment	42.8	35.2
Sickness	51.6	41.3
Total Costs	94.4	76.5
Financing Sources over Costs	(53.7)	(15.8)
Net Position - Beginning of Period	93.8	109.6
Net Position - End of Period	$40.1	$93.8

[1]Prepared on an accrual basis of accounting.

UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

Financing Sources - Fiscal Year 2001 (In Millions)

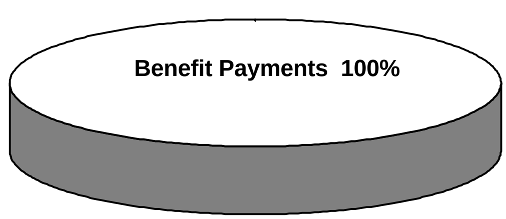
GROSS TOTAL $55.7



Net of Transfer = $40.7

Costs - Fiscal Year 2001 (In Millions)

TOTAL $94.4



2000 to $40.1 million at the end of fiscal year 2001. For fiscal year 2001 as compared to fiscal year 2000, total financing sources for the railroad unemployment and sickness insurance program decreased by $20 million (32.9 percent) to $40.7 million.

Financing Sources

The primary financing source of the railroad unemployment and sickness insurance program is a payroll tax on railroad employers, based on the taxable earnings of their employees. The employees themselves are not taxed.

Each employer pays taxes at a rate which takes into consideration its employees' actual incidence of benefit usage. Under experience rating, employers whose employees have low incidences of unemployment and sickness pay taxes at a lower rate than those with higher levels of benefit usage. Each employer's rate also has a component for administrative expenses and a component to cover costs shared by all employers. The rate applies to monthly earnings up to an indexed maximum. In calendar year 2001, the taxable earnings base was the first $1,050 of each employee's monthly earnings. The earnings base is indexed each year by a rate which is equal to approximately two-thirds of the annual rate of increase in the maximum base for railroad retirement tier I taxes.

In 2001, the basic tax rates on railroad employers, including covered commuter railroads, ranged from a minimum of 2.15 percent (includes surcharge of 1.5 percent) to a maximum of 12 percent. Most employers were assessed the minimum rate in 2001. New employers in 2001 paid an initial rate of 2.59 percent.

Employer Payroll Taxes

Payroll taxes by employers totaled $50.6 million during fiscal year 2001. This was a decrease of 24.7 percent or $16.6 million less than the previous year.

Interest

Cash not needed immediately for unemployment and sickness insurance benefits or operating expenses is held in the Federal Unemployment Insurance Trust Fund and invested by the Secretary of the Treasury. The fund earned an average rate of return of 6.48 percent in fiscal year 2001, of which the Railroad Retirement Board earned $4 million as its pro rate share.

Other Financing Sources

Other financing sources consisted of program accounts receivable interest, penalties and handling costs of $0.9 million and $0.8 million for fiscal years 2001 and 2000, respectively. Offsetting financing sources were (1) cash transfers of -$13.8 million and -$13.9 million to the Limitation on Administration Account to fund salaries and expenses for the unemployment and sickness insurance program for fiscal years 2001 and 2000, respectively; (2) cash transfers of -$1.2 million to fund administrative expenses of the Board's Office of Inspector General for both fiscal years 2001 and 2000; and (3) return of administration funds by the Office of Inspector General for fiscal year 1995 that were not used. OMB Bulletin 97-01 requires that transfers-in and transfers-out be shown as offsets to financing sources.

Costs

Total costs for the railroad unemployment and sickness insurance program increased by $17.9 million (23.4 percent) to $94.4 million. These costs consisted solely of benefit payments.

Benefit Payments

During fiscal year 2001, unemployment insurance benefit payments increased by $7.6 million (21.6 percent) to $42.8 million. Sickness insurance benefit payments increased $10.3 million (24.9 percent) to $51.6 million.

BENEFIT OPERATIONS

Net unemployment and sickness benefits totaling $92.5 million were paid in the 2000-2001 benefit year, $16.4 million more than in the prior year. Beneficiaries numbered 38,400 in comparison to the previous year's total of some 34,300. Approximately 1,400 employees received both unemployment and sickness benefits during the 2000-2001 benefit year. The number of unemployment benefit claimants increased by 22 percent, while sickness benefit claimants increased by 5 percent. Total unemployment benefit payments increased by nearly 21 percent, while net sickness benefits increased by about 22 percent. The number of employees qualified for benefits under the Railroad Unemployment Insurance Act fell less than 1 percent to 277,418.

Benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year. During benefit year 2000-2001, there were 14,000 and 19,000 unemployment and sickness benefit waiting period claims, respectively.

Unemployment

Some 16,700 railroad workers were paid $43 million in unemployment benefits during the 2000-2001 benefit year. The number of benefit claimants increased by 3,000 from the prior year total of 13,700, while the benefit amount rose $7.4 million from the year-earlier total of $35.6 million. The average number of compensable days per unemployment benefit claimant was 57 in benefit year 2000-2001 as compared to 61 in the previous benefit year.

NOTE.--Railroad unemployment and sickness benefits are paid on the basis of benefit years beginning July 1 and ending June 30 of the following year. Consequently, operational data in this "Benefit Operations" section are generally presented for this time span, rather than fiscal years beginning October 1 and ending September 30.

Major unemployment and sickness benefit operations, benefit years 2000-2001 and 1999-2000

Item	Benefit year 2000-2001			Benefit year 1999-2000		
	Total	Unemploy-ment	Sickness	Total	Unemploy-ment	Sickness
Applications	48,800	20,100	28,700	44,600	17,500	27,100
Claims	307,800	118,800	189,000	277,300	101,400	175,900
Beneficiaries	[1]38,400	16,700	23,000	[1]34,300	13,700	22,000
Net amount of benefits	$92,520,100	$43,007,600	$49,512,400	$76,118,900	$35,620,000	$40,498,900
Number of payments						
Normal	235,400	90,100	145,300	211,600	77,300	134,300
Extended	23,900	6,000	17,900	23,000	6,100	17,000
Total	259,300	96,100	163,200	234,700	83,300	151,300
Average amount per 2-week registration period						
Normal	$424	$415	$429	$407	$401	$410
Extended	400	403	399	371	362	375
Total	422	415	426	404	399	406

[1]Benefits for both unemployment and sickness were paid to approximately 1,400 employees in benefit years 1999-2000 and 2000-2001. Those claimants who had only a non-compensable waiting period are not included in the beneficiary counts since no benefits were paid.

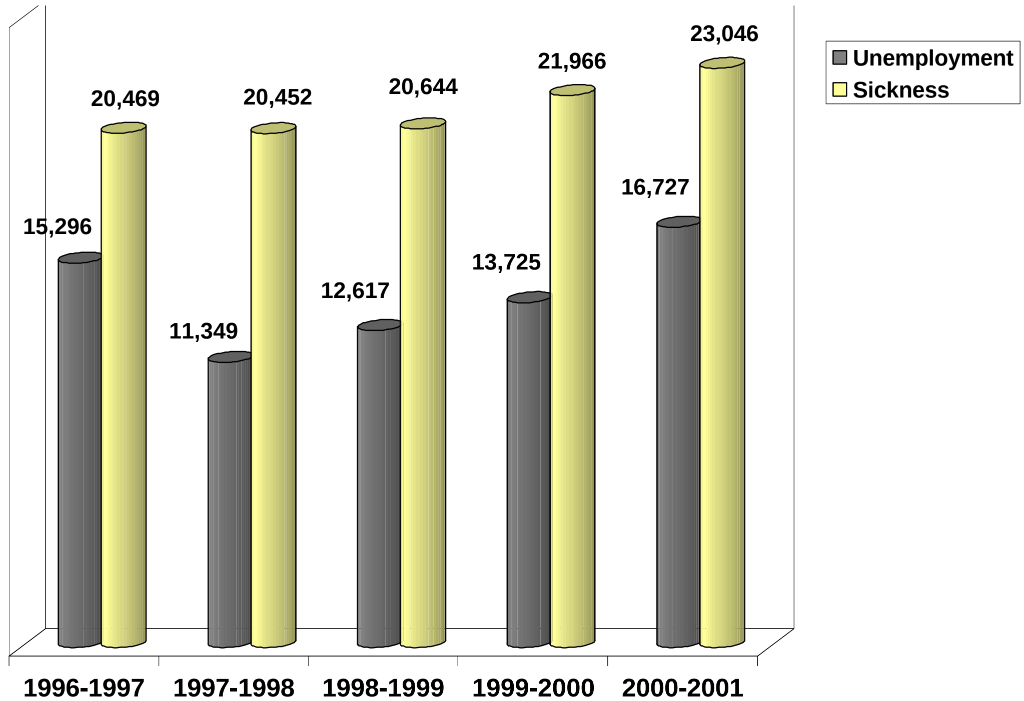
The mid-month unemployment count in the 2000-2001 benefit year began with a July count of 2,600 claimants. The count peaked at 9,500 in January, and dropped to 2,200 in June 2001. For the 2000-2001 benefit year as a whole, the weekly number of claimants averaged 4,200 in comparison to an average of 3,500 in the previous benefit year. The overall unemployment benefit claimant rate, measured in relation to numbers of employees qualified to receive benefits under the Railroad Unemployment Insurance Act during a particular time period, increased to 6 per 100 qualified from the previous year's level of 5 per 100 qualified. The median age of all unemployment benefit claimants was 42 years, 1 less than in the previous benefit year.

Sickness

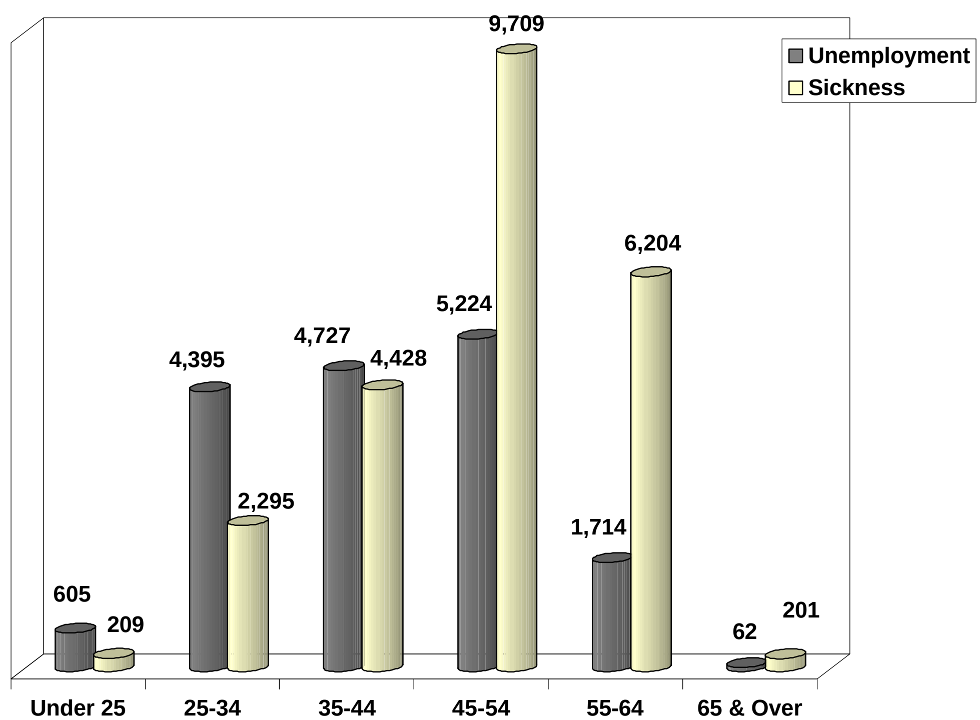
The number of sickness benefit claimants during the 2000-2001 benefit year was 23,000, about 1,100 higher than in the previous year. Gross sickness benefits of $78.6 million were paid, $8.6 million more than in the prior benefit year. Net sickness benefits totaled $49.5 million, reflecting repayment of a large amount of benefits following settlements of suits for injuries. Benefits payable for an injury are recoverable if the claimant is awarded damages or receives a settlement for the injury. Net benefits increased by $9 million in comparison with the previous year.

(text continued on p. 32)

Beneficiaries under the Railroad Unemployment Insurance Act, Benefit Years 1996-1997 through 2000-2001



Unemployment and Sickness Benefit Claimants By Age, Benefit Year 2000-2001



With a nearly level number of qualified employees and an increase in the utilization rate, the number of sickness claimants was the highest it has been since benefit year 1991-1992. In contrast, however, the average duration of sickness remained fairly stable for the last 4 benefit years.

Benefit Year	Utilization Per 100 Qualified Employees	Average Compensable Days
1997-1998	7.4	69
1998-1999	7.6	68
1999-2000	7.9	69
2000-2001	8.3	71

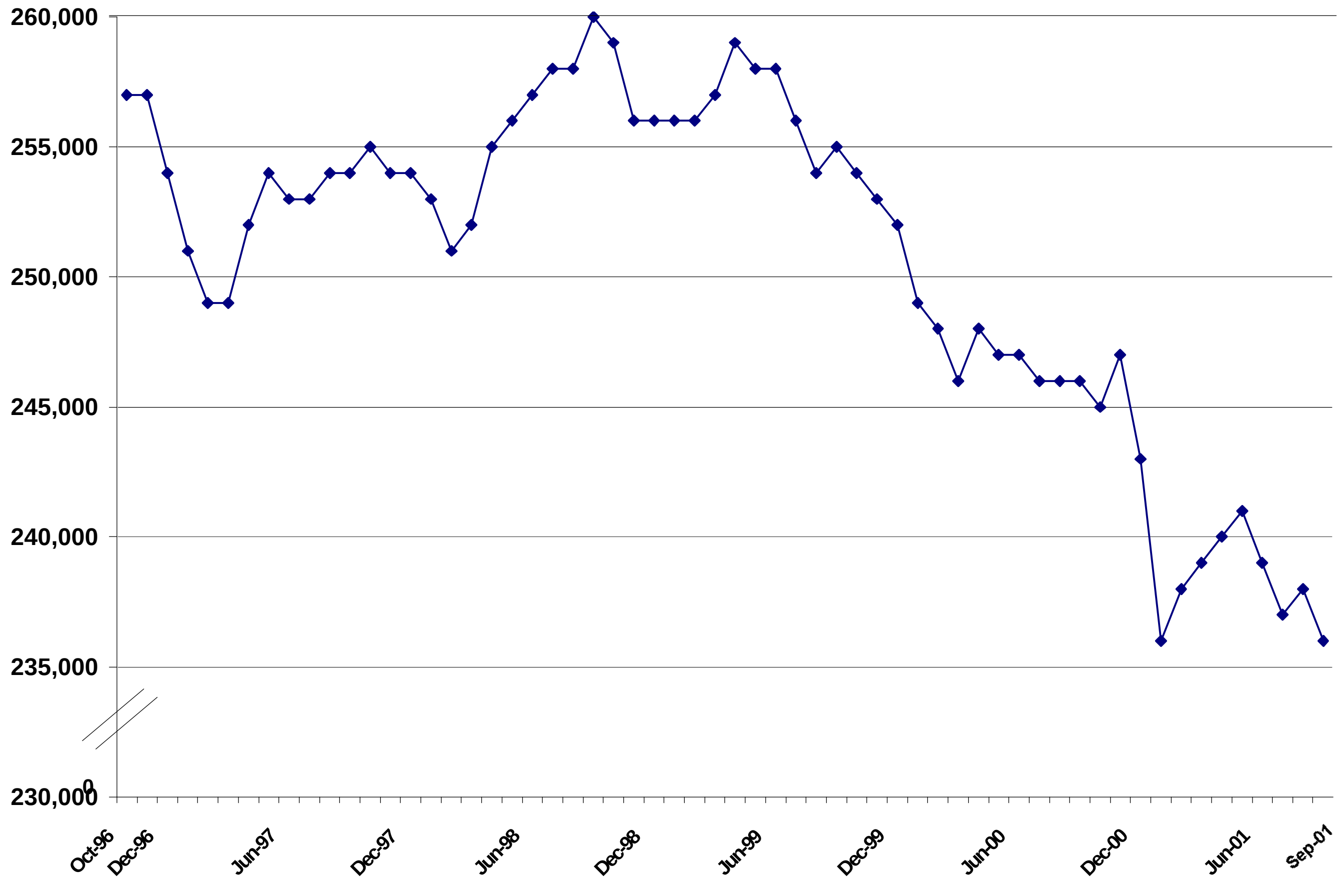
Among the most common causes of sickness were injuries that included fractures or wounds (affecting 25 percent of beneficiaries), arthritis and disk disorders (20 percent), circulatory and heart disease (11 percent), and mental disorders, including drug and alcohol addictions (10 percent). The median age of all sickness benefit claimants was 50 years, the same as the previous benefit year.

RAILROAD EMPLOYMENT

Average monthly railroad employment in fiscal year 2001 fell 3.2 percent to 240,000 from the 248,000 average of the previous year. November 2000 had the highest level of employment in fiscal year 2001 with 247,000 and January 2001 had the low of 236,000.

Average employment decreased for the second consecutive fiscal year.

Average Railroad Employment
Fiscal Years 1997 through 2001



***Note.*--**Numbers for 2001 are preliminary.

LEGISLATIVE DEVELOPMENTS

The Railroad Retirement and Survivors' Improvement Act of 2001 made significant changes to the benefit and financing provisions of the Railroad Retirement Act. The following is a summary of the changes provided by the new law.

The Railroad Retirement and Survivors' Improvement Act of 2001

The Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90) was signed into law by President Bush on December 21, 2001. The Act liberalized early retirement benefits for 30-year employees and their spouses, eliminated a cap on monthly retirement and disability benefits, lowered the minimum service requirement from 10 years to 5-9 years if at least 5 years were performed after 1995, and provided increased benefits for some widow(er)s. Financing sections in the law provided for the investment of railroad retirement trust funds in non-governmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax. The law was based on joint recommendations to Congress negotiated by a coalition of rail labor organizations and rail freight carriers.

60/30 Retirement

The law amended the Railroad Retirement Act by eliminating the early retirement reduction applied to the annuities of 30-year employees retiring between the ages of 60 and 62 if their annuities begin January 1, 2002, or later. The spouses of such employees are also eligible for full annuities at age 60. Full 60/30 benefits had not been payable since 1983 legislation reduced such early retirement benefits.

This provision was not retroactive and not applicable to 30-year employees who retired on the basis of age and service prior to January 1, 2002, or to their spouses, even if their spouses retire after 2001. However, if a disability annuitant is age 60 and has 30 years' service, his or her spouse can now receive an unreduced annuity as early as age 60 if the spouse's annuity beginning date is January 1, 2002, or later.

Maximum Provision

The law eliminated, effective January 1, 2002, a maximum on the amount of combined monthly employee and spouse benefit payments which had been intended to prevent benefits from exceeding an amount based on an employee's earnings immediately prior to retirement. This maximum provision had the unintended effect of reducing benefits for former employees with no earnings, or low earnings, in the 10-year period prior to retirement, and for long-service employees with moderate earnings.

While not retroactive, the amendments increased benefits, effective January 1, 2002, for almost 2,600 employee and 12,000 spouse annuitants on the Board's rolls whose benefits had been reduced by the maximum provision prior to 2002.

Basic Service Requirement

The legislation lowered the minimum eligibility requirement for regular railroad retirement annuities from 10 years of creditable railroad service to 5-9 years for those with 5 years of service rendered after 1995. Benefits payable on the basis of this provision are not retroactive and are not payable earlier than January 1, 2002.

For those with less than 10 years of service, additional earnings credits acquired under social security coverage are required for a tier I benefit. A tier II benefit is payable even if the employee never worked under social security coverage. Additional requirements apply in disability cases.

Widow(er)s' Benefits

The legislation established an "initial minimum amount" for widows and widowers based on the two-tier annuity amount that would have been payable to the railroad employee at the time the widow(er)'s annuity is awarded, minus any applicable reductions. The initial minimum formula provides a widow(er)'s tier II benefit equal to 100 percent of the deceased employee's tier II amount. Under prior law, the widow(er)'s tier II benefit was limited to 50 percent of the employee's tier II amount; only the tier I amount equaled 100 percent.

Widow(er)s' annuities computed on the basis of the new initial minimum amount will not increase until the amount payable under previous law plus cost-of-living increases is higher than the initial minimum amount.

This provision was effective February 1, 2002, and was not retroactive. It applied to widow(er)s on the rolls before the effective date only if the annuity the widow(er) was receiving on the effective date was less than she or he would have received had the legislation been in effect on the date the widow(er)'s annuity began. Many of the widow(er)s' annuities being paid on the effective date were already higher than the annuity that would be payable under the new law because of previous cost-of-living adjustments. Consequently, just under 25 percent of widow(er)s on the rolls had their annuities increased due to the legislation.

Investment Changes

The legislation provided for the transfer of railroad retirement trust funds from the Railroad Retirement Accounts to a new National Railroad Retirement Investment

Trust, whose Board of seven trustees is empowered to invest Trust assets in non-governmental assets, such as equities and debt, as well as in governmental securities.

The Trust will not be treated as an agency or instrumentality of the Federal Government. Its Board of Trustees is comprised of seven members: three members selected by rail labor to represent the interests of labor; three members likewise selected by rail management to represent management interests; and one independent member selected by a majority of the other six members. The Trustees are appointed only from among persons with experience and expertise in the management of financial investments and pension plans, and the Trustees are subject to reporting and fiduciary standards similar to those under the Employee Retirement Income Security Act.

Payroll Tax Rates

The legislation reduced tier II tax rates on rail employers, including rail labor unions, in calendar years 2002 and 2003, and beginning with 2004 provides automatic adjustments in the tier II tax rates for both employers and employees. It also repealed the supplemental annuity work-hour tax rate paid by employers, beginning with calendar year 2002.

The tier II tax rate on rail employers and rail labor organizations was reduced from 16.10 percent to 15.60 percent in 2002 and to 14.20 percent in 2003. The tier II tax rate for rail employee representatives is 14.75 percent in calendar year 2002 and 14.20 percent in 2003. An employee representative is a labor official of a non-covered labor organization who represents employees covered under the Acts administered by the Railroad Retirement Board.

While there was no change in the tier II tax rate of 4.90 percent on employees in the years 2002 and 2003, beginning with the taxes payable for calendar year 2004 tier II taxes on both employers and employees will be based on the ratio of certain asset balances to the sum of benefits and administrative expenses (the average account benefits ratio). Depending on the average account benefits ratio, tier II taxes for employers will range between 8.20 percent and 22.10 percent, while the tier II tax rate for employees will be between 0 percent and 4.90 percent.

The law did not affect tier I social security equivalent tax rates. The tier I tax on employees and employers remains the same as for social security covered employees and employers.

Supplemental Annuity Funding

In addition to repealing the supplemental annuity work-hour tax, the legislation eliminated the separate Railroad Retirement Supplemental Account. Supplemental annuities are to be funded through the new National Railroad Retirement Investment Trust.

ADMINISTRATIVE DEVELOPMENTS

The Railroad Retirement Board continued efforts to improve agency operations and better serve its customers. The following describes some major issues addressed in 2001 and 2002.

Customer Service

Customer Service Plan

The Railroad Retirement Board's Customer Service Plan, initiated in 1994, promotes the principles and objectives of customer-driven quality service agency-wide and is benchmarked to service levels in both government agencies and private industries performing similar functions. The Board's plan specifies the level of service customers can expect, measures performance, and obligates the Board to report annually on its performance. The plan will be reviewed and updated periodically on the basis of the Board's experience, comparisons of the Board's service with the best in business, and feedback received from customers.

Fiscal year 2001 performance remained the same or improved when compared to fiscal year 2000 for eight of the 11 customer service workloads tracked by the agency. Even with declines in three areas, the agency still met or exceeded all but one of the customer service performance targets (disability decisions) it had set for the year in its Annual Performance Plan.

Given the decline in performance for disability decisions, the Board continues to seek improvements in collecting the required documentation to provide accurate and more timely handling of disability applications. The processing of disability applications requires medical evidence and related documentation to establish entitlement, and obtaining this material can be a lengthy process.

Slight performance declines were also noted for the handling of retirement applications filed in advance of actual retirement and conversions of spouse benefits to widow(er)s' annuities upon a retired employee's death.

The Board's plan requires that those who file for a disability annuity receive a decision within 105 days of the date they filed their application. During fiscal year 2001, 56.5 percent of those filing for a disability annuity received a decision within 105 days of the date they filed an application. Average processing time was 103.7 days. During fiscal year 2000, 63.6 percent received a decision within 105 days and average processing time was 94.7 days.

The plan requires that persons who filed in advance for a railroad retirement employee or spouse annuity will receive their first payment, or a decision, within 35 days of their annuity beginning date. Persons who do not file in advance will receive their first payment, or a decision, within 65 days of the date they filed their application. During fiscal year 2001, 94 percent of employee and 96.5 percent of spouse applicants who filed in advance received a payment, or a decision, within 35 days of their annuity beginning date. Also, 96.9 percent of employee and 92.9 percent of spouse applicants who had not filed in advance received a payment or a decision within 65 days of their filing date.

The plan requires that those filing for monthly survivor benefit payments, or a lump-sum benefit, will receive their first payment, or a decision, within 65 days of the date they filed their application, or became entitled to benefits, if later. Those already receiving a spouse annuity will receive their first payment, or a decision, within 35 days of the date the Board receives notice of the employee's death. During fiscal year 2001, 80.9 percent of the applicants for an initial survivor annuity were issued a payment or a decision within 65 days. In addition, 93.7 percent of the applicants for a lump-sum benefit were issued a payment or a decision within 65 days. In cases where the survivor was already receiving a spouse annuity, 91.1 percent of the applicants were issued a payment or a decision within 35 days of the Board being notified of the employee's death.

Persons who file an application for unemployment or sickness insurance benefits will receive a claim form, or a decision, within 15 days of the date the application was filed, and persons filing claims for subsequent biweekly unemployment or sickness insurance benefits will receive a payment, or a decision, within 15 days of the date the Board receives their claim forms. During fiscal year 2001, 99.7 percent of unemployment benefit applications and 99.5 percent of sickness benefit applications met the Board's standard. In addition, 99.7 percent of subsequent claims for unemployment and sickness benefits met the Board's standard for fiscal year 2001.

In fiscal year 2001, 99 percent of all correspondence the Board received was responded to, either with an acknowledgement or with a final reply, within the agency's 15-day standard.

Customer Satisfaction Survey

In 2001, the Board participated for the first time in the American Customer Satisfaction Index, an annual survey produced by a partnership of the University of Michigan Business School, the American Society for Quality and Claes Fornell International. The Board earned a score of 82, 13 points higher than the overall Federal Government score and 11 points higher than the comparable private sector average. The survey focused on the Board's core constituency of railroad workers who recently retired and were receiving railroad retirement benefits.

For fiscal year 2002, the agency is planning to select unemployment and sickness insurance entitlements as the next segment to be surveyed. Preliminary contact with

Claes Fornell International and the Federal Consulting Group has been made as part of the agency's development efforts, and the agency plans to conduct the survey toward the end of the fiscal year.

Direct Deposit Campaign

During fiscal year 2001, letters were sent to over 125,000 check recipients explaining the various electronic payment options available. The mailing resulted in a one percent increase in Direct Deposit participation. As of January 2002, participation stood at 80.34 percent.

Officials

Cherryl T. Thomas continues to serve as Chair of the Railroad Retirement Board. V. M. Speakman, Jr. continues to serve as Labor Member, and Jerome F. Kever continues to serve as Management Member.

The Board named Dorothy A. Isherwood Director of Administration. In addition to serving as a member of the agency's Executive Committee, she oversees and coordinates those offices that provide management and administrative support services.
Keith B. Earley was named Director of Human Resources, and Cecilia A. Freeman was named Director of Resource Management Center.

Technology and Automation Initiatives

Enterprise Architecture

Reflecting the general consensus in industry that large, complex systems development and acquisition efforts should be guided by explicit enterprise architectures, Congress required Federal Agency Chief Information Officers (CIOs) to develop, maintain, and facilitate integrated systems architectures with the passage of the Clinger-Cohen Act. The Board's Office of Enterprise Architecture is responsible for establishing standards, policies and frameworks to guide the agency's use of information technology. This includes a comprehensive evaluation of current systems and development of plans to enhance capabilities in this area. As part of this effort, the office is also responsible for developing infrastructure programs and Internet/Intranet strategies. During 2001, the Board completed the development of its enterprise architecture.

The Board adopted the *Federal Enterprise Architecture Framework* prescribed by the Federal CIO Council's Federal Architecture Working Group. This framework provided a structure for the Board's specific architectural components and associated standards.

A set of common and cohesive enterprise-level requirements was developed to achieve the Board's business strategies and provide a common language and process for linking the agency's Strategic Plan and Strategic Information Resource Management Plan. This process also provides a vehicle for analyzing the impact of changes to business strategy.

Conceptual architecture principles were then developed and used as a stable foundation upon which the Board's information technology employees can make important system design and implementation decisions.

The final phase of the enterprise architecture involves developing the desired future state of the architecture by identifying and defining the technical architectures. Several architectures within the enterprise were identified.

Employer Reporting Initiative

During fiscal year 2001, the Board developed two initiatives to allow employers the option of Internet filing of four forms. These initiatives, which provide railroad employers with the option of using web-based forms to exchange information with the Board, will also simplify and unify the current 75 paper exchanges.

The web-based Form DC-1, *Employer's Quarterly Report of Contributions Under the Railroad Unemployment Insurance Act*, was created on the Internet site for employers to make their tax deposits. About 85 percent of covered employers are registered for electronic reporting, which includes web-based reporting as an option.

The second initiative was a pilot program of three employer forms intended to test a wide variety of work typical of the majority of employer forms. The three pilot forms are Form BA-4, *Report of Creditable Compensation Adjustments*; Form BA-6a, *Form BA-6 Address Report*; and Form GS-129/129a, *Request for Verification of Service and Compensation/and Reply*.

Information Services Reorganization

In response to the e-Government focus established by legislation and the Administration, the Bureau of Information Services was redesigned into several centers using generally accepted information technology functional identifications: the Application Design Center, the E-Government Services Center, the Infrastructure Services Center, and the Information Resources Management Center. This reorganization will address, through reduced management layers and expanded job descriptions, the challenges faced by the bureau due to the pending retirement of key personnel.

Imaging

The Board continued developing its document imaging system that converts paper information into data images that are retrieved and viewed by personal computer. Effective mid-September 2001, the Board began accepting annuity award forms and award letters directly into the imaging system and no longer prints, scans and indexes paper copies of these documents.

Automated workflow queues for retirement, survivor, and Medicare initial claims processing have been developed. As a result, the Board has stopped creating paper claim files except in disability cases. Also, a number of forms and letters generated by both mainframe and PC programs are now processed directly in the imaging system.

Building Security and Operations

As a result of the terrorist attacks on September 11, 2001, the Board took steps to enhance security at its headquarters building located at 844 North Rush Street in Chicago. These steps included installation of a metal detector and scanning equipment at the building's secondary entrance, as well as hiring additional security guard staff. Revised procedures call for all individuals entering the building to pass through the metal detectors, with guards inspecting and/or scanning all containers and packages. Employees must also display photo identification cards, with visitors escorted to their destination by employees or guards. Following the 1995 bombing of the Murrah Federal Building in Oklahoma City, the agency placed a metal detector and scanner at the building's primary entrance; at that time, only visitors to the building were subject to screening.

Several capital improvements to the building will also result in improved efficiency and safety. The complete removal and replacement of the exterior masonry was necessitated by instability in some sections of brick. The cost of this project was almost $4.4 million. The building's fire alarm system was replaced and upgraded at a cost of about $1.5 million. Finally, a project to replace elevator controls with solid-state equipment was completed in early 2001, at a cost of about $2.1 million.

Office of Equal Opportunity

Diversity Program and Training

During 2001, the Office of Equal Opportunity and the Board's Workplace Diversity Committee continued to publish a quarterly newsletter, *Diversity Times*. The Committee also sponsored lunch-and-learn video presentations for Asian Pacific American Heritage Month, Native American Heritage Month and Women's History Month. For African American Heritage Month and Hispanic Heritage Month, the committee sponsored both a video lunch-and-learn and a traditional commemorative program with a speaker. The Committee also sponsors a Diversity Dialogue Group and a quarterly Diversity Book Club discussion group.

The Employees with Disabilities Advisory Council sponsored a training seminar on "Accommodating Mental Disabilities," a video lunch-and-learn for Disability Employee Awareness Month and a Disability Awareness Fair.

The Office of Equal Opportunity also sponsored two sessions of "Alternative Dispute Resolution for Supervisors" in September and November 2001 for headquarters managers and supervisors.

The Office of Equal Opportunity and the Bureau of Human Resources co-sponsored a series of post-September 11 seminars for headquarters employees entitled "America at the Crossroads," including sessions on "Dealing with Stress in the Wake of Tragedy" and "Being an American Muslim in the 21st Century."

Recruitment

The Office of Equal Opportunity worked with the Bureau of Human Resources to increase diversity in the Board's external recruitment efforts, identifying sources of minority students for the outstanding scholar hiring authority as well as local minority, disability and disabled veteran recruitment sources in field office locations, many of which were contacted directly to solicit applicants for specific vacant positions.

Equal Opportunity Policies and Procedures

The Office of Equal Opportunity has also been active in developing agency policies and procedures required by various oversight organizations, including the Section 508 complaint procedure, the Procedure for Providing Reasonable Accommodation to Individuals with Disabilities, and the Alternative Dispute Resolution Program for the Equal Employment Opportunity Complaint Process.

Public Information Activities

The Board maintains direct contact with railroad retirement beneficiaries through its field offices located across the country. Field personnel explain benefit rights and responsibilities on an individual basis, assist railroad employees in applying for benefits and answer any questions related to the benefit programs. The Board also relies on railroad labor groups and employers for assistance in keeping railroad personnel informed about its benefit programs.

At informational conferences sponsored by the Labor Member of the Board for railroad labor union officials, Board representatives describe and discuss the benefits available under the railroad retirement-survivor, unemployment-sickness and Medicare programs, and the attendees are provided with comprehensive informational materials. A total of 2,025 railroad labor union officials attended 45 informational conferences held in cities throughout the United States during 2001. In addition, railroad labor unions frequently request that Board representatives speak before their meetings, seminars and conventions. In 2001, the Labor Member's Office was represented at 14 union gatherings attended by 3,204 railroad labor officials. Field personnel addressed 101 local union meetings with 4,722 members in attendance.

At seminars for railroad executives and managers, Board representatives review programs, financing, and administration, with special emphasis on those areas which require cooperation between railroads and Board offices. During 2001, the Board's Management Member's Office conducted eight seminars for railroad officials. It also conducted pre-retirement counseling seminars attended by railroad employees and their spouses, and benefit update presentations.

In response to a White House initiative, the Board continued to participate in *Conversations with America*, a national effort to engage customers in an ongoing dialogue about improving customer service in the Federal Government.

Office of Inspector General

During fiscal year 2001, the agency's Office of Inspector General conducted monitoring reviews, audits and investigations to strengthen agency programs and improve service to the railroad community. The Office of Inspector General issued 17 audit and management information reports that provided recommendations for improvement in agency operations.

The audit report of the Board's financial statements and related internal controls resulted in the first unqualified (clean) opinion since audits of the financial statements were initiated in 1993. The Office of Inspector General also performed a security assessment of the agency's mainframe and local area network information systems with the assistance of an independent contractor. Results of the assessment indicated weaknesses related to security planning and training, performance of risk assessments, as well as mainframe and desktop application security.

The Office of Inspector General continued to monitor the agency's Investment Committee, the measurement and reporting of performance under the Government Performance and Results Act, the expansion of document imaging initiatives and related controls, and planning efforts to implement the provisions of then-proposed amendments to the Railroad Retirement Act. The Office of Inspector General also issued a report containing recommendations to streamline the current procedures for handling Federal employee complaints concerning personnel matters.

Investigative activities resulted in 51 criminal convictions, 37 indictments and informations, 53 civil judgments and $2,750,000 in recoveries, restitutions, fines, civil damages and penalties, and prevention of overpayments. Prosecution efforts under the Department of Justice's Affirmative Civil Enforcement Program resulted in 99 civil judgments that will return $644,247 to the Railroad Retirement Board's trust funds.

In October 2001, the Office of Inspector General detailed special agents to New York City to assist the Federal Bureau of Investigation with the investigation of the terrorist attack on the World Trade Center. These agents pursued investigative leads under the direction of the FBI, conducted searches, arrested subjects for various criminal violations, and interviewed numerous potential "Watchlist" subjects.

LEGAL RULINGS

Eight cases involving the Railroad Retirement Board were resolved by the courts during fiscal year 2001. A number of significant legal opinions were issued.

Court Cases

Seven cases of various types involving petitions for review of decisions of the Railroad Retirement Board were pending in the courts at the beginning of fiscal year 2001, and ten cases were opened during the fiscal year. Eight cases were resolved during fiscal year 2001; seven were decided in the Board's favor, and one was dismissed. Nine cases were pending at the end of the fiscal year. The following describes the cases of most significance to railroad employers and employees.

Sherrill F. Perry v. *Railroad Retirement Board*, in the United States Court of Appeals for the District of Columbia Circuit, concerned an applicant who contended that he had been deterred by the Board from filing a disability annuity application. The court found that the Board's conclusion that the plaintiff failed to express an intent to file an application for a disability annuity was supported by substantial evidence in the record. Accordingly, the Court found it was not necessary to determine whether the plaintiff met the relevant conditions under the Board's regulations to establish that he was deterred from filing a disability annuity application.

Cleto Rivera, Jr. v. *Railroad Retirement Board* concerned the termination of a disabled child's annuity. The Board dismissed the plaintiff's appeal because he failed to file it timely. The plaintiff then filed an appeal with the United States Court of Appeals for the Ninth Circuit. The Court dismissed the appeal, holding that only the Board itself can reopen a decision which has not been appealed timely. The Board's decision not to reopen is not reviewable by a court.

In *Lucynda S. Worms* v. *Railroad Retirement Board*, the United States Court of Appeals for the Eighth Circuit affirmed the decision of the Board denying the plaintiff's request for waiver of recovery of a $38,105.71 overpayment in her surviving young mother's annuity. The Board had found that the plaintiff did not qualify for benefits because she did not have the child of the employee in her care, and that recovery of the consequent overpayment could not be waived as she was at fault in causing the overpayment because of her failure to properly notify the Board.

In *Roger D. Holman* v. *Railroad Retirement Board*, the United States Court of Appeals for the Seventh Circuit affirmed the Board's decision that the plaintiff was not entitled to a restored amount to be included in his widower's annuity. A restored amount is a sum which is added to the tier II component of a survivor annuity, where the survivor is also receiving an employee annuity and meets certain other qualifications. The Court held that, although the requirement that a widower must have received half his support from his wife for the widower to receive a restored amount constitutes a gender-based classification (there is no such requirement for a widow to receive a restored amount), that requirement was one narrowly tailored to the legitimate purpose of protecting the expectations of railroad retirees. The Court also upheld the Board's decision to exclude the value of personal services provided to the plaintiff by his wife from the determination of support provided by her.

Legal Opinions

The following Legal Opinions are presented here because of their special significance or interest.

Legal Opinion L-2000-35 concerned an earlier informal ruling that the sale of inventory in connection with the closing of a business should not be considered earnings for purposes of disability work deductions. Sale of inventory is generally considered self-employment for regular work deduction purposes. In the case at issue, the claimant stated that he had ceased performing all services in his blacksmith and repair shop on August 14, 1998. During 1999, the claimant sold off his inventory in the process of closing the business.

The disability work deduction provisions of the Railroad Retirement Act, section 2(e)(4), provide that no disability annuity is payable for any month during which the disability annuitant "is paid more than $400 in earnings. . . ." In determining what amounts are considered earnings, the Board applies the same rules as the Social Security Administration uses in applying work deductions. Those regulations provide that in order for earnings to be considered self-employment the person must be engaged in a trade or business. After the claimant ceased work, his then-existing inventory became capital assets like the premises or other assets of the business. The General Counsel ruled that, accordingly, the sale of those assets, like the sale of any capital asset, would not be considered earnings which are subject to the earnings restriction, and that the earnings of the sale of inventory of a closed business should not be counted as earnings for work deduction purposes.

Legal Opinion L-2001-03 ruled that income from the exercise of stock options would be considered to be wages, at least as to the difference between the price of the stock and its fair market value. The income would be attributed to the period when the options are granted. Accordingly, in the case at issue, the employee would be entitled to a recomputation of his annuity based on the income from the exercise of stock options, but the income would not cause work deductions to be applied to his annuity.

Legal Opinion L-2001-5 concerned the treatment of prizes, awards, and gratuities received by railroad employees. In the case at issue, the employee received a trip from his non-railroad employer. The employee reported the value of the trip as self-employment income on his tax return and the Social Security Administration reported this amount as self-employment income. The General Counsel ruled that, for the purpose of applying work deductions, the Board should treat the award as does the Social Security Administration, which provides that prizes, awards, and gratuities are not earnings for work deduction purposes when the prize is not part of the wage structure for the employee.

The legal opinion also dealt with the treatment of the prize for recomputation of the tier I annuity component. The General Counsel advised that since the value of the prize is being treated as self-employment income by the Social Security Administration, the value of the prize should be used to compute or recompute the amount of the tier I component.

Legal Opinion L-2001-12 concerned the possibility of a young widow with two minor children waiving her annuity entitlement for selected periods of time. The proposed waiver would be for the purpose of excluding the mother from the family group during those periods of time when her earnings would result in a decrease in the amount payable to the family group.

The General Counsel stated that, while a young widow may waive acceptance of her annuity for a selected period of time, such waiver will have no effect on the amount payable to any other family members. Consequently, a young widow's waiver of her annuity will not entitle her children to a recomputation of their annuity rates.

Legal Opinions L-2001-16 and *L-2001-16.1* concerned the circumstances under which active service in the United States Armed Forces by individuals who enlisted in the armed forces reserves may be credited as service for benefit entitlement purposes under the Railroad Retirement Act.

The Railroad Retirement Act of 1974 provides that an employee's "years of service" in the railroad industry for annuity computation purposes includes "voluntary or involuntary military service. . .during any war service period" if preceded as specified by creditable railroad service. The time the employee is in "military service" begins when the employee is "commissioned or enrolled in the active service of the land or naval forces of the United States" and continues "until resignation or discharge therefrom." That section further provides that "any individual in any reserve component of the land or naval forces of the United States" will be considered in active service "while serving in the land or naval forces of the United States for any period, even though less than 30 days."

Legal Opinion L-2001-16 ruled that military service by a voluntary armed forces reservist who is called to active duty is involuntary service within the meaning of the 1974 Act.

Legal Opinion L-2001-16.1 clarified the ruling so that active military service by a reservist in the United States Armed Forces between September 14, 1978, and August 2, 1990, not a "war service period," as a result of a call to active duty nevertheless constitutes service during a "war service period" with respect to that individual within the meaning of the Act. Such service may be creditable for benefit entitlement purposes under the Act if it is preceded by the required service for a covered railroad employer.

Legal Opinion L-2001-18 concerned whether providing in-home care services for a disabled individual constitutes last pre-retirement employment (LPE).

The Railroad Retirement Act provides for a reduction to the tier II component and the supplemental annuity if an employee performs compensated service for the person by whom such individual was employed before the date on which his or her annuity began to accrue. Such work restrictions are commonly referred to as LPE work deductions. Self-employment is not LPE, as it is work performed in an individual's own business, trade or profession as an independent contractor, rather than as an employee.

The employee annuitant in the instant case received compensation from the California Department of Social Services for providing 5 hours of daily in-home care to his paralyzed son. The annuitant has been performing this work activity since before he became entitled to an annuity. In accordance with applicable law, the work performed by the annuitant is LPE unless the work activity falls within the self-employment exception.

The program involved was an alternative to out-of-home care and was administered by the counties, under the supervision of the State in compliance with Federal law. Counties were authorized to implement the program in three different ways: (1) by using their own civil service or merit system employees to provide the services; (2) by contracting out to private and public agencies for the services; and (3) by having the aid recipient hire and supervise the worker.

The first and second methods noted above implicitly, if not explicitly, require an employer-employee relationship. In the first instance, the provider is an employee of the county, and in the second instance the provider is an employee of the contracting agency. Consequently, the LPE self-employment exception does not apply where either the first or second methods are employed to obtain the services of a provider. Where the third method is utilized, California's regulations define "employer" as the recipient of services under California's In-Home Supportive Services Program. Board regulations provide that whether an individual performing services is an employee depends upon the degree to which the recipient of services controls the individual's work. In the case at hand, the recipient determines the manner in which the provider's tasks are performed, as well as how such services are performed. The recipient may discharge the provider at any time without notice to the county; and, likewise, the provider has the right to terminate his or her services without incurring liability for work to be performed. Accordingly, the General Counsel ruled that such control on the part of the recipient establishes an employee-employer relationship between the provider and recipient. Therefore, the earnings the father receives through the program are subject to the LPE work restrictions.

Appeals

Any claimant for benefits under the Railroad Retirement or Railroad Unemployment Insurance Acts may appeal a determination he or she feels is not justified. This appeal must be filed within certain time frames. Appeals are heard and decided by the Bureau of Hearings and Appeals. An appellant who is dissatisfied with the decision on his or her appeal may further appeal the case to the three-member Board within a prescribed period of time.

Railroad Retirement Act

During fiscal year 2001, 738 appeals were filed with the Bureau of Hearings and Appeals under the Railroad Retirement Act, and the Bureau rendered decisions in 745 appeals. The initial or reconsidered decision was sustained in 204 cases. In 430 appeals the decision was fully favorable to the claimant; in 55 appeals it was partially favorable and 56 appeals were dismissed for various reasons.

One hundred thirty appeals were filed with the Board in fiscal year 2001, which, added to the 21 appeals carried over from the previous year, brought the total to be considered to 151. Of 131 decisions, 112 sustained previous rulings of the hearings officer, three were reversed, seven were remanded to the Bureau of Hearings and Appeals, one to the Reconsideration Section, and eight were dismissed. At the end of the year, 20 appeals were pending before the Board.

Railroad Unemployment Insurance Act

During fiscal year 2001, 62 appeals under the Railroad Unemployment Insurance Act were filed with the Bureau of Hearings and Appeals, and the Bureau rendered decisions in 49 appeals. The original decision was sustained in 22 cases. In 17 appeals the decision was fully favorable to the claimant; in four appeals it was partially favorable. Six appeals were dismissed for various reasons.

Fourteen appeals were filed with the Board in fiscal year 2001, which, added to the five carried over from the previous year, brought the total to be considered to 19. The Board rendered decisions in 14 cases of appeals from the decision of the hearings officer, affirming the decision in 11 of them, reversing one, dismissing one, and remanding one to the Bureau of Hearings and Appeals. At the end of the year, five appeals were pending before the Board.

STATISTICAL TABLES

Table 1.--Beneficiaries and benefits paid under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, by fiscal year, 1992-2001

Fiscal year	Total[1]	Retirement[2]	Survivor[2]	Unemployment	Sickness
BENEFICIARIES (in thousands)					
1992	956	626	301	25	23
1993	935	615	298	20	22
1994	912	599	288	21	22
1995	879	582	282	16	21
1996	849	565	272	17	20
1997	830	549	263	15	21
1998	800	530	254	11	21
1999	777	514	246	13	22
2000	755	499	237	14	23
2001	737	483	228	18	24
BENEFIT PAYMENTS (in millions)					
1992	$7,771.7	$5,754.0	$1,939.9	[3]$54.6	$23.2
1993	7,941.6	5,896.0	1,976.2	[3]47.7	21.7
1994	8,044.9	5,978.9	1,999.9	[3]40.9	25.1
1995	8,120.6	6,042.9	2,016.3	35.7	25.8
1996	8,179.1	6,089.1	2,024.4	40.7	24.9
1997	8,278.6	6,166.3	2,039.4	37.5	35.4
1998	8,305.9	6,199.0	2,047.5	25.9	33.4
1999	8,317.7	6,207.2	2,041.3	33.0	36.2
2000	8,373.3	6,254.1	2,040.3	36.4	42.4
2001	8,506.2	6,352.6	2,058.8	43.2	51.6

[1] Benefit payments include a small amount of payments for hospital insurance benefits for services in Canada.

[2] Retirement benefits include vested dual benefit and supplemental annuity payments. Survivor benefits include vested dual benefit payments.

[3] Includes extended unemployment benefits paid to claimants with less than 10 years of service and additional extended benefits to those with 10-14 years.

NOTE.-- Number of beneficiaries represents all individuals paid benefits in year. In total number for each year, beneficiaries are counted only once, even though they may have received more than one type of benefit. In fiscal year 2001, 11,000 individuals received both retirement and survivor benefits, 1,600 employees received both unemployment and sickness benefits, and 4,000 employees received benefits under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These figures are partly estimated, and totals for earlier years are similarly adjusted.

Table 2.--Status of the Railroad Retirement, Social Security Equivalent Benefit, Supplemental, and Dual Benefits Payments Accounts, by fiscal year, 1992-2001 (In millions)

	Receipts					Expenditures					
Fiscal year	Tax transfers[1]	Interest and profit on investments[2]	Transfers under financial interchange[3]	Dual benefit transfers[4]	Advances against financial interchange[5]	Benefit payments[6]	Net transfers to administration	Transfers under financial interchange[3]	Repayments of advances against financial interchange	Interest on advances against financial interchange	Balance at end of period[7]
RAILROAD RETIREMENT ACCOUNT											
1992.............	$2,605.6	$1,157.0	....	....	....	$2,715.7	$49.2	....	....	....	$10,270.5
1993.............	2,334.2	754.1	....	....	....	2,799.4	49.5	....	....	....	[8]10,692.2
1994.............	[9]2,619.1	879.0	....	....	....	2,847.6	49.7	....	....	....	11,286.1
1995.............	2,523.9	1,071.0	....	....	....	2,906.1	50.5	....	....	....	11,926.4
1996.............	[10]2,474.7	[11] 913.0	....	....	....	2,854.5	50.8	....	....	....	12,352.5
1997.............	2,518.7	[12] 1,348.9	....	....	....	[12]2,225.5	47.1	....	....	....	13,972.3
1998.............	2,660.8	1,730.2	....	....	....	2,888.3	49.5	....	....	....	15,451.2
1999.............	[13]2,932.4	316.0	....	....	....	2,880.6	51.2	....	....	....	15,768.9
2000.............	2,928.6	1,316.0	....	....	....	2,925.3	55.9	....	....	....	17,032.9
2001.............	2,819.2	2,038.9	....	....	....	2,930.2	54.7	....	....	....	18,907.2
SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT[14]											
1992.............	$1,895.7	$119.2	$3,206.4	....	$2,907.9	$4,571.0	$28.5	$374.5	$2,762.6	$261.8	$1,417.6
1993.............	1,850.8	73.4	3,435.4	....	2,939.9	4,685.3	25.3	400.5	2,914.5	250.8	1,440.6
1994.............	1,849.5	76.2	3,525.5	....	3,019.3	4,768.0	24.1	412.9	2,920.8	232.5	1,552.6
1995.............	1,924.3	75.2	4,120.1	....	3,077.9	4,811.3	26.7	396.1	3,023.7	226.8	2,265.0
1996.............	[10]1,918.3	[11] 123.3	3,556.3	....	3,150.1	4,939.4	23.3	401.3	3,081.1	248.4	2,319.4
1997.............	2,046.5	[12](116.2)	3,747.2	....	3,183.9	[12]5,681.4	25.3	419.1	3,154.8	244.2	1,656.1
1998.............	2,208.7	90.7	3,819.1	....	3,145.1	5,078.8	26.2	419.4	3,183.9	246.1	1,965.2
1999.............	[13]2,000.1	91.5	3,816.0	....	2,992.3	5,104.5	25.2	429.9	3,132.0	238.8	1,934.7
2000.............	2,208.5	101.7	3,697.6	....	3,005.1	5,124.8	27.1	465.3	2,971.8	218.3	2,140.3
2001.............	2,134.0	93.8	3,282.8	....	3,145.2	5,256.5	25.0	469.7	3,001.3	220.9	1,822.7

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement, Social Security Equivalent Benefit, Supplemental, and Dual Benefits Payments Accounts, by fiscal year, 1992-2001 (In millions)--Continued

Fiscal year	Receipts: Tax transfers[1]	Receipts: Interest and profit on investments[2]	Receipts: Transfers under financial interchange[3]	Receipts: Dual benefit transfers[4]	Receipts: Advances against financial interchange[5]	Expenditures: Benefit payments[6]	Expenditures: Net transfers to administration	Expenditures: Transfers under financial interchange[3]	Expenditures: Repayments of advances against financial interchange	Expenditures: Interest on advances against financial interchange	Balance at end of period[7]
RAILROAD RETIREMENT SUPPLEMENTAL ACCOUNT											
1992.............	$100.0	$2.3	....	....	....	$102.1	$2.3	....	....	....	$34.9
1993.............	112.6	2.0	....	....	....	98.5	2.3	....	....	....	48.7
1994.............	88.1	1.5	....	....	....	94.0	2.3	....	....	....	42.1
1995.............	77.0	1.1	....	....	....	90.3	2.3	....	....	....	27.6
1996.............	[10]68.3	[11](20.5)	....	....	....	86.2	2.2	....	....	....	41.2
1997.............	103.6	(0.9)	....	....	....	82.4	2.2	....	....	....	35.3
1998.............	118.1	0.7	....	....	....	78.6	2.0	....	....	....	41.0
1999.............	90.4	2.5	....	....	....	75.1	2.1	....	....	....	56.8
2000.............	76.7	3.5	....	....	....	72.9	2.3	....	....	....	61.7
2001.............	67.8	3.1	....	....	....	68.8	2.0	....	....	....	61.7
DUAL BENEFITS PAYMENTS ACCOUNT[15]											
1992.............	....	....	....	$319.1	....	$305.0	....	....	....	....	$14.1
1993.............	....	....	....	294.0	....	289.2	....	....	....	....	4.9
1994.............	....	....	....	277.0	....	269.4	....	....	....	....	7.6
1995.............	....	....	....	254.0	....	251.5	....	....	....	....	2.5
1996.............	....	....	....	239.0	....	233.4	....	....	....	....	5.3
1997.............	....	....	....	223.0	....	216.4	....	....	....	....	6.6
1998.............	....	....	....	205.5	....	200.9	....	....	....	....	4.6
1999.............	....	....	....	189.0	....	188.4	....	....	....	....	0.6
2000.............	....	....	....	173.3	....	171.4	....	....	....	....	1.9
2001.............	....	....	....	160.0	....	156.0	....	....	....	....	4.0

See footnotes at end of table.

Footnotes - Table 2

[1] Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior periods. Includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended. In fiscal years 1992-1994, the Railroad Retirement Account includes repayment taxes under Chapter 23A of the Internal Revenue Code, as amended, applied against outstanding loans due from the Railroad Unemployment Insurance Account.

[2] Net of interest on U.S. Treasury adjustments for payroll tax refunds (see note 1). Railroad Retirement and Social Security Equivalent Benefit Accounts reflect adjustments in interest for benefit payment adjustments related to the financial interchange (see note 6).

[3] Transfers to or from OASDHI Trust Funds under section 7(c)(2) of the 1974 Railroad Retirement Act.

[4] Transfers from U.S. Treasury under section 15(d) of the Railroad Retirement Act of 1974 and Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended.

[5] Advances, including interest, from U.S. Treasury to offset lag in receipt of financial interchange funds under section 7(c)(4) of the 1974 Railroad Retirement Act as amended.

[6] Railroad Retirement and Social Security Equivalent Benefit Accounts reflect adjustments in benefit payments charged to the Social Security Equivalent Benefit Account as compared to actual financial interchange benefits.

[7] Through fiscal year 1995, all Account balances include liabilities for uncashed check credits received from U.S. Treasury. Beginning in fiscal year 1996, only the Railroad Retirement Account balance reflects these credits. The Railroad Retirement Account balance also reflects (a) the current net difference between Board payments of social security benefits and the receipt of reimbursements for such payments, (b) credits for undistributed payment returns and recoveries, and (c) loans to and repayments from the Railroad Unemployment Insurance or the Supplemental Accounts. Beginning fiscal year 1996, the Supplemental Account balance reflects loans from and repayments (including interest) to the Railroad Retirement Account. The Dual Benefits Payments Account balance does not carry over to the following year.

[8] Reflects payment during the year of the entire debt balance from the Railroad Unemployment Insurance Account, $83.1 million in principal and $97.1 million in interest.

[9] Includes an income tax transfer adjustment of +$193 million for fiscal year 1993.

[10] Reflects adjustment for misclassified supplemental annuity tax refunds for fiscal year 1996 and prior fiscal years: Railroad Retirement Account -$13.4 million, Social Security Equivalent Benefit Account -$14.5 million, and Supplemental Account +$27.9 million.

[11] Reflects adjustment for misclassified supplemental annuity tax refunds for fiscal year 1996 and prior fiscal years: Railroad Retirement Account -$11.0 million, Social Security Equivalent Benefit Account -$10.8 million, and Supplemental Account +$21.8 million.

[12] Reflects adjustment in benefit payments (Railroad Retirement Account -$676.8 million, Social Security Equivalent Benefit Account +$676.8 million) charged to the Social Security Equivalent Benefit Account for October 1984 - December 1995, as compared to actual financial interchange benefits, with interest (Railroad Retirement Account +$241.6 million, Social Security Equivalent Benefit Account -$241.6 million) through August 1, 1997.

[13] Reflects transfer of $83.1 million from the Social Security Equivalent Benefit Account to the Railroad Retirement Account for reallocation of fiscal year 1998 payroll taxes. Railroad Retirement Account also reflects special Treasury income tax adjustment of $146 million for calendar years 1988-1994.

[14] Established October 1, 1984, to keep track of the financing and payment of social security level portions of railroad retirement benefits.

[15] Established October 1, 1981, to keep track of the financing and payment of vested dual benefits.

Table 3.--Status of the Railroad Unemployment Insurance Account, by fiscal year, 1997-2001 (In thousands)

Item	Fiscal year 1997	1998	1999	2000	2001
RECEIPTS					
Taxes	$11,194	$49,797	$91,855	$47,977	$30,575
Interest	7,008	4,539	6,892	7,332	4,204
Transfer from Administration fund under sec. 11(d) of the RUI Act	694	2,993	5,814	6,546	6,048
Undistributed recoveries of benefit payments[1]	(339)	354	(99)	170	865
Total	$18,557	$57,683	$104,462	$62,025	$41,692
EXPENDITURES					
Benefit payments	$72,868	$59,317	$69,200	$78,759	$94,823
Funding for Office of Inspector General	1,030	1,089	1,158	1,209	1,233
Total	$73,898	$60,406	$70,358	$79,967	$96,057
Cash balance end of period	$69,335	$66,611	$100,715	$82,773	$28,409

[1] Net of distributed payments.

Table 4.--Status of the RUIA Administration Fund, by fiscal year, 1992-2001 (In thousands)

Fiscal year	Taxes and interest	Administrative expenditures[1]	Transfer to Railroad Unemployment Insurance Account under Sec. 11d[2]	Balance at end of period
1992	$18,560	$16,760	$3,571	$4,046
1993	16,703	16,652	1,064	3,034
1994	17,416	16,484	....	[3]3,965
1995	[3]17,597	16,462	538	4,634
1996	17,373	16,497	689	4,821
1997	16,891	16,136	694	4,883
1998	19,081	13,123	2,993	7,849
1999	20,235	13,188	5,814	9,081
2000	19,941	14,847	6,546	7,629
2001	20,434	14,004	6,048	8,011

[1] Expenditures for each year included encumbrances as of end of year.

[2] Transfers to the Railroad Unemployment Insurance Account are based on an accrual balance of $6,000,000 on September 30.

[3] The cash balance at the beginning of fiscal year 1995 was increased $72,000 to $4,037,000 and fiscal year 1995 interest was decreased $72,000 due to a fiscal year 1994 audit adjustment.

Table 5.--Number and average amount of retirement and survivor annuities in current-payment status at end of year, by type of annuitant and fiscal year, 1992-2001

Fiscal year	Total[1]	Retired employees: Age	Retired employees: Disability	Retired employees: Supple-mental	Spouses and divorced spouses	Aged widow(er)s[2]	Disabled widow(er)s	Widowed mothers (fathers)[2]	Children	Remarried widow(er)s	Divorced widow(er)s[2]
NUMBER AT END OF YEAR											
1992	1,050,546	302,184	78,474	186,146	212,036	233,809	6,904	1,829	15,910	5,785	7,382
1993	1,024,439	293,454	78,282	180,603	206,967	227,087	6,799	1,786	15,722	5,925	7,731
1994	996,280	284,168	78,183	174,505	201,327	220,021	6,620	1,735	15,463	6,023	8,152
1995	967,175	274,603	78,566	168,231	195,082	212,639	6,525	1,617	15,302	6,071	8,457
1996	936,428	265,030	78,647	161,806	188,281	204,969	6,371	1,525	14,960	6,066	8,690
1997	906,741	255,664	79,063	155,721	181,399	197,447	6,202	1,462	14,665	6,064	8,976
1998	875,905	245,900	79,017	149,260	174,467	190,222	6,031	1,427	14,347	6,045	9,116
1999	846,687	236,741	79,617	143,515	167,478	182,839	5,893	1,327	13,964	5,967	9,280
2000	819,327	228,439	80,158	138,158	161,283	175,464	5,679	1,245	13,561	5,886	9,392
2001	790,711	219,646	80,574	132,799	154,710	167,840	5,460	1,165	13,233	5,733	9,490
AVERAGE AMOUNT											
1992	....	$1,010	$996	$45	$410	$604	$549	$626	$532	$399	$430
1993	....	1,052	1,052	44	426	628	568	734	550	419	448
1994	....	1,091	1,108	44	441	652	586	804	567	441	468
1995	....	1,133	1,171	44	456	680	607	844	589	463	487
1996	....	1,175	1,228	43	471	708	628	882	608	484	505
1997	....	1,223	1,291	43	487	740	650	916	627	507	526
1998	....	1,264	1,346	43	502	768	672	957	646	531	546
1999	....	1,300	1,398	43	514	792	687	991	659	548	559
2000	....	1,351	1,465	42	530	826	711	1,029	678	571	579
2001	....	1,414	1,548	42	550	870	746	1,076	706	603	606

[1] Includes annuities to parents. On September 30, 2001, there were 61 parents' annuities in current-payment status averaging $625.

[2] Numbers include annuities temporarily being paid at spouse annuity rates, pending final adjudication of survivor annuities.

NOTE.--Data exclude survivor (option) annuities. On September 30, 2001, there were 4 survivor (option) annuities in current-payment status averaging $62.

Table 6.--Number and average amount of retirement and survivor annuities awarded during year, by type of annuitant and fiscal year, 1992-2001

Fiscal year	Total[1]	Retired employees: Age	Retired employees: Disability	Retired employees: Supple-mental	Spouses and divorced spouses	Aged widow(er)s	Disabled widow(er)s	Widowed mothers (fathers)	Children	Remarried widow(er)s	Divorced widow(er)s
NUMBER AWARDED											
1992......................	52,298	11,645	4,553	7,079	14,442	11,700	251	269	1,092	490	764
1993......................	49,014	9,965	4,849	5,877	12,719	12,529	272	272	1,023	601	900
1994......................	44,378	9,000	4,885	5,320	11,847	10,631	229	241	909	469	836
1995......................	42,072	7,962	5,094	4,715	10,407	11,021	297	222	1,074	419	853
1996......................	38,635	7,415	4,878	4,414	9,576	9,979	233	204	825	365	737
1997......................	38,293	7,422	4,872	4,494	9,175	9,868	240	222	855	381	757
1998......................	36,508	6,756	4,620	4,399	8,739	9,566	248	236	851	360	727
1999......................	36,205	6,846	5,140	4,496	8,157	9,317	246	199	719	324	759
2000......................	35,818	7,186	4,709	4,749	8,316	8,699	204	159	714	336	744
2001......................	33,289	6,285	4,630	4,339	7,648	8,372	217	157	611	307	719
Cumulative 1937-2001	4,668,138	1,379,834	477,267	422,726	1,067,786	954,604	16,309	83,590	231,703	13,298	17,523
AVERAGE AMOUNT											
1992......................	....	$1,202	$1,323	$41	$439	$707	$659	$652	$625	$454	$478
1993......................	....	1,223	1,354	41	448	740	676	843	664	483	496
1994......................	....	1,277	1,431	41	464	784	713	869	686	521	527
1995......................	....	1,346	1,504	41	482	820	737	927	713	541	537
1996......................	....	1,435	1,527	41	505	858	770	955	741	594	564
1997......................	....	1,506	1,593	41	521	888	782	868	760	607	564
1998......................	....	1,579	1,649	41	545	920	810	908	805	642	599
1999......................	....	1,654	1,751	41	567	945	825	993	831	658	615
2000......................	....	1,745	1,871	41	584	998	901	1,049	858	670	613
2001......................	....	1,842	1,971	41	613	1,044	927	996	932	701	654

[1] Includes annuities to parents. Fiscal year 2001 total includes 4 annuities to parents averaging $806. Cumulative total includes 3,498 annuities to parents.

NOTE.--Cumulative figures reflect adjustments not made in yearly data, but average amounts for each year include effects of changes in rates made by the end of the year.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2001, by class and state (Amounts in thousands)

State[1]	Total		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Alabama	12,600	$11,275	9,000	$ 8,320	3,600	$ 2,955
Alaska	200	201	200	145	100	55
Arizona	14,200	12,164	10,900	9,458	3,200	2,706
Arkansas	11,600	10,916	8,800	8,573	2,800	2,343
California	46,200	38,865	34,300	29,360	11,900	9,506
Colorado	10,300	9,326	7,600	7,037	2,700	2,290
Connecticut	4,100	3,569	3,000	2,661	1,100	908
Delaware	2,300	2,120	1,600	1,544	700	576
Washington DC	900	643	700	444	300	200
Florida	42,700	36,658	32,900	28,903	9,700	7,754
Georgia	19,500	17,672	14,500	13,534	5,100	4,138
Hawaii	400	190	300	139	100	51
Idaho	6,200	5,649	4,800	4,428	1,400	1,221
Illinois	51,000	43,993	38,400	33,518	12,600	10,475
Indiana	22,300	20,013	16,600	15,173	5,700	4,840
Iowa	12,700	10,949	9,600	8,279	3,100	2,670
Kansas	18,900	17,139	14,500	13,346	4,400	3,793
Kentucky	19,500	17,978	14,600	13,825	4,900	4,153
Louisiana	11,000	9,801	8,000	7,264	2,900	2,537
Maine	4,400	3,909	3,300	2,941	1,100	968
Maryland	14,200	12,577	10,400	9,355	3,800	3,222
Massachusetts	7,100	5,714	5,100	4,074	2,000	1,640
Michigan	20,400	18,113	15,700	14,143	4,700	3,970
Minnesota	23,100	20,032	17,700	15,409	5,500	4,624
Mississippi	8,000	7,046	5,800	5,312	2,200	1,733
Missouri	26,700	23,099	20,000	17,575	6,700	5,524
Montana	8,400	7,744	6,600	6,030	1,900	1,714
Nebraska	14,100	13,060	10,900	10,236	3,200	2,825
Nevada	4,700	4,138	3,700	3,323	1,000	816
New Hampshire	1,300	1,038	900	744	400	294
New Jersey	14,300	12,431	10,300	9,161	4,000	3,269
New Mexico	6,600	5,688	5,000	4,332	1,600	1,356
New York	33,600	28,793	24,100	21,334	9,500	7,460
North Carolina	13,500	11,981	9,900	9,112	3,600	2,869
North Dakota	4,500	4,172	3,400	3,171	1,100	1,002

See footnotes at end of table.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2001, by class and state (Amounts in thousands) - Continued

State[1]	Total		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Ohio	42,500	$37,759	31,300	$27,963	11,200	$ 9,796
Oklahoma	7,100	6,267	5,200	4,726	1,900	1,540
Oregon	12,200	10,667	9,300	8,270	2,900	2,397
Pennsylvania	58,700	52,031	41,900	37,455	16,800	14,576
Rhode Island	900	706	600	495	300	210
South Carolina	8,200	7,511	6,000	5,699	2,200	1,812
South Dakota	1,800	1,469	1,300	1,080	500	389
Tennessee	15,800	13,924	11,300	10,239	4,600	3,686
Texas	44,000	39,523	32,700	29,729	11,400	9,795
Utah	7,900	7,081	5,900	5,314	2,000	1,767
Vermont	1,500	1,145	1,100	829	400	317
Virginia	24,300	22,284	17,900	16,860	6,500	5,424
Washington	15,800	14,084	12,200	11,015	3,600	3,069
West Virginia	14,000	12,695	10,200	9,374	3,800	3,321
Wisconsin	15,000	12,781	11,400	9,783	3,600	2,998
Wyoming	4,100	3,851	3,200	3,005	900	846
Outside United States:						
Canada	3,900	2,264	2,600	1,346	1,300	918
Mexico	500	350	300	180	200	170
Other	1,000	684	500	380	400	304
Total	790,700	$695,735	587,700	$525,945	203,000	$169,790

[1] State of residence of beneficiary on September 30, 2001.

[2] Includes 132,800 supplemental annuities to employees receiving regular annuities. In a relatively small number of cases, employees were also receiving spouse or widow(er)'s benefits.

NOTE.--Retirement benefits include regular and supplemental employee annuities, spouse annuities and divorced spouse annuities. Survivor benefits include annuities to aged and disabled widow(er)s, widowed mothers and fathers, remarried and divorced widow(er)s, children, parents, survivor (option) annuities, and widow(er)s annuities temporarily being paid at spouse annuity rates pending final adjudication of survivor annuities. Benefit amounts exclude social security payments to dual beneficiaries.

Table 8.-- Principal administrative data for the unemployment and sickness benefit programs, benefit years 1996-1997 through 2000-2001

Item	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
Qualified employees	284,800	276,600	272,400	278,200	277,400
Maximum daily benefit rate	$42	$43	$44	$46	$48
UNEMPLOYMENT BENEFITS					
Net amount of benefits paid (thousands)	$38,249	$27,034	$31,565	$35,620	$43,008
Payments:[1]					
Number	105,500	71,500	80,800	83,300	96,100
Average amount per two week claim period	$358	$375	$386	$399	$415
Beneficiaries	15,300	11,300	12,600	13,700	16,700
Applications received	19,500	13,700	15,800	17,500	20,100
Claims received	130,200	86,800	97,900	101,400	118,800
Normal benefit accounts exhausted	2,700	2,100	2,000	2,100	2,200
Non-compensable waiting period only[2]	1,400	200	200	(3)	(3)
SICKNESS BENEFITS					
Net amount of benefits paid (thousands)	$32,475	$33,058	$34,642	$40,499	$49,512
Payments:[1]					
Number	154,600	147,500	145,200	151,300	163,200
Average amount per two week claim period	$372	$385	$394	$406	$426
Beneficiaries	20,500	20,500	20,600	22,000	23,000
Applications received	27,400	26,600	26,300	27,100	28,700
Claims received	184,300	171,100	169,000	175,900	189,000
Normal benefit accounts exhausted	4,300	4,300	3,900	4,100	4,500
Non-compensable waiting period only[2]	1,300	200	200	100	100

[1] Not adjusted for recoveries or settlements of underpayments.

[2] Prior to the October 1996 legislation, no benefits were payable for the first claim in a benefit year, generally resulting in a 2-week waiting period. As a result of the legislation, benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year.

[3] Less than 50.

NOTE.--Data covered program activities during the year, regardless of when unemployment or sickness occurred.

Table 9.--All employees, new entrants, employees qualified for RUIA benefits, and related data, by employer, calendar year 2000

Class or name of employer	All employees				New entrants		Creditable compensation (thousands)		
	Total	With 12 months of service in 2000	With 10 or more years of service	Qualified for RUIA benefits	Total	Qualified for RUIA benefits	Tier I	Tier II	RUIA
CLASS OF EMPLOYER									
Class I railroads..	222,703	182,064	153,159	214,274	9,667	5,800	$10,539,166	$9,707,088	$2,455,607
Class II railroads..	11,626	8,997	6,625	10,845	841	497	475,261	451,572	122,961
Class III railroads..	35,486	27,394	20,663	32,701	2,923	1,588	1,617,825	1,471,243	372,357
Switching and terminal companies.................	6,221	4,689	3,740	5,632	500	209	247,825	235,401	64,110
Car-loan companies....................................	2,670	1,964	1,479	2,420	67	38	101,874	96,978	27,099
Miscellaneous employers[1]............................	4,613	3,463	2,547	4,015	519	236	215,090	184,871	45,611
Total..	283,319	228,571	188,213	269,887	14,517	8,368	$13,197,042	$12,147,153	$3,087,745
SELECTED EMPLOYERS									
Burlington Northern and Santa Fe Ry. Co.........	46,941	39,360	32,626	45,582	465	267	$2,305,381	$2,100,867	$525,273
CSX Transportation Incorporated..................	40,049	31,973	28,537	38,157	3,214	2,106	1,881,890	1,750,287	437,373
Grand Trunk Western Railroad Incorporated.....	2,207	1,740	1,754	2,103	57	30	102,476	93,581	24,081
Illinois Central Railroad Company..................	3,582	2,899	2,569	3,362	265	138	183,264	163,282	38,905
Kansas City Southern Railway Company..........	2,713	2,212	1,583	2,571	188	94	129,411	119,567	29,328
Soo-Kansas City Southern Joint Agency..........	142	121	99	136	2	1	6,147	6,005	1,589
National Railroad Passenger Corp. (Amtrak).....	28,414	22,022	16,706	26,780	2,218	1,099	1,188,905	1,118,358	305,873
Norfolk Southern Corporation........................	37,402	29,933	26,687	36,206	1,447	942	1,670,720	1,568,863	407,348
Soo Line Railroad Company...........................	3,437	2,690	2,478	3,276	65	41	155,215	144,661	37,237
Union Pacific Railroad Company.....................	57,816	49,114	40,120	56,101	1,746	1,082	2,915,758	2,641,616	648,601

[1] Includes labor organizations, lessor companies, employer associations and miscellaneous carrier affiliates.

NOTE.--Tier I compensation excludes miscellaneous compensation taxable at the tier I tax rate.